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Details:

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WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2009-10

(session year)

Senate Select

(Assembly, Senate or Joint)

Committee on ... Clean Energy (SCC-CE)

COMMITTEE NOTICES ...

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INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
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- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
 - (**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
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* Contents organized for archiving by: Gigi Godwin (LRB) (November/2011)

S.B. 450 - Clean Energy Jobs Act
Senate Select Committee on Clean Energy
Wednesday January 27, 2010
10:00 AM

Testimony on behalf of North Central Power Co., Inc.

Thank you, Chairmen Miller and Plale and members of the Committee, for allowing me to testify regarding Senate Bill 450, the Clean Energy Jobs Act. My name is David Dahlberg. I am Vice President of North Central Power Co., Inc. (NCP) and have worked for NCP for over 23 years. I am testifying today on behalf of NCP regarding the proposed Renewable Portfolio Standards, Energy Efficiency and Conservation, and Advanced Renewable Tariffs contained in the Clean Energy Jobs Act.

Background on North Central Power

NCP is a small investor-owned utility serving almost 5,000 customers in southern Sawyer and northern Rusk Counties. NCP's customers are typically agricultural or small commercial or residential with a significant portion being cabins on lakes in the area. NCP serves one industrial customer and one school and has a customer density of only 8.3 customers per mile of power line. As a result of this low customer density, NCP has the second highest rates in Wisconsin among investor-owned and municipal utilities. NCP customers heat with propane, oil, wood, or electric heat. There is no natural gas available in the area.

Comments on the Proposed Renewable Portfolio Standard

NCP also has one of the highest mixes of renewables in our energy portfolio with over 33% of the energy we sell coming from renewables. This is in part because of the hydro facilities in our service territory that were built in the 1930's and supply 28% of our energy. NCP is a wholesale customer of Xcel Energy, formerly Northern States Power Company, and receives an additional 5% renewables from Xcel's energy mix.

Under the proposed legislation contained in the Clean Energy Jobs Act, Wisconsin would become a leader in the advancement of renewable energy with a renewable portfolio of 25% by the year 2025. NCP is not against establishing this goal and achieving it. We have already exceeded this goal. However, the proposed method of achieving this goal is to have each utility in the state increase their renewable mix by 21% above their baseline by 2025. The 21% requirement comes from a statewide average baseline of 4% in 2001-2003. With NCP's baseline of 33% in 2001-2003, this means that NCP would be required to increase to over 54% renewables by 2025. Increasing NCP's renewable purchases to 54% in 2025 will add extraordinarily burdensome costs to the second highest rates in the state in counties with nearly

the highest unemployment rates in the state. Rusk County has 11.3% unemployment as of November 2009, making it the 2nd highest unemployment rate in Wisconsin. Sawyer County has a 9.3% unemployment rate in November 2009 which is the 19th highest out of 72.

So under this proposal the counties with the 2nd and 19th highest unemployment rates and customers with the 2nd highest electric rates are being asked to buy the highest amount of renewables in the state. This is an unfair burden for NCP and its customers.

We respectfully suggest that changes be made to the legislation. We ask that each utility achieve a 25% renewables portfolio individually and that no utility would be required to increase their renewable mix after reaching the 25% threshold. Then each utility and their customers would be required to bear the costs on their own and utilities that have a higher base renewable energy mix would not be subsidizing other utilities' customers. This suggestion is in keeping with the Wisconsin Public Service Commission philosophy of every energy customer being responsible for their own costs. The cost-causer should also be the cost-payer.

Another suggestion is to exclude utilities that are defined as a "Small Electric Utility", as defined in Section 208 of the Act. These are utilities that sold less than 2,500,000 MWH in 2008. NCP sold 31,167 MWH in 2008. This exclusion would have a minimal effect on the total renewable percentage in the state due to the fact that these utilities' sales represent a fraction of the sales statewide.

Comments on Energy Efficiency and Conservation

NCP supports the further advancement of energy efficiency measures throughout the state. We realize this is an important tool to address climate change and quite probably the most cost effective. Because of our location in the state, and relative size, NCP would like to see mechanisms in place to insure equitable distribution of statewide programming, throughout all areas of the state. As a small utility in Northwestern Wisconsin, we often are missed by statewide programming intended to produce results more often found in more populated areas. Also, because our area is marked by low per capita income, utility costs affect personal budgets more severely and so we request that there is Joint Finance committee oversight as the PSCW sets the budget for energy efficiency funding requirements.

Comments on the Proposed Advanced Renewable Tariffs

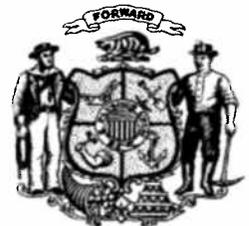
NCP opposes the mandating of Advanced Renewable Tariffs (ART) for investor-owned utilities in Wisconsin. While the concept encourages the development of renewable energy within the state, mandating that NCP purchase all renewable energy produced within our system, at a price significantly higher than today's wholesale costs, would cause our rates to go even higher than the RPS will. As I have stated earlier, NCP already has the second highest rates in Wisconsin and a requirement to purchase renewable under a statewide ART will make them higher still.

This also directly contradicts Act 141 which prevents the PSC from mandating additional renewable purchases if NCP is already meeting its RPS obligation.

Thank you for your time and the opportunity to participate in this process. We are striving hard to keep rates down at NCP and ask that you don't implement laws that create more hardship for our customers.



WISCONSIN STATE LEGISLATURE





TO: Senators Plale and Miller, Clean Energy Jobs Act Special Committee
FROM: Bill Jordahl, Alliant Energy
DATE: January 27, 2010
RE: Senate Bill 450

Chairmen Plale and Miller:

Thank you for this opportunity to comment on SB 450, the Clean Energy Jobs Act. Alliant Energy is an energy company with multi-state utility operations. Wisconsin Power & Light (WP&L) serves nearly 500,000 customers in Wisconsin. Alliant Energy is a leading energy company in renewable energy and energy efficiency. For example we represent about 1% of the electricity sold in America – but we represent 3% of the energy efficiency savings nationally.

We are submitting written comments on a number of the proposals we find most significant. We recognize the effort that went into drafting the bill; transforming general recommendations into specific statutory proposals is never easy.

SB 450 is a bill with many significant proposals important to Wisconsin's energy economy. We want to ensure that the proposals will work for our customers. Where we do not think the bill tracks the Task Force recommendations in all cases, we note our concerns. We also want to point out some of the potential consequences of the bill, which legislators and the public should be aware of as this is debated.

Enhanced Energy Efficiency and Conservation

- 1. Retain the role of the legislature in approving revenue increases proposed by the PSCW for the statewide program.** The bill would remove legislative oversight of the revenues the PSCW would raise for its efficiency program. This was not recommended by the Task Force, and in fact the Task Force report discusses the revenue increase mechanism in language assuming a continued legislative involvement.
- 2. Remove non-duplication language for state energy efficiency program.** Currently there is a state-wide energy efficiency program (Focus on Energy) and utility-administered programs (we operate the Shared Savings program). The bill would significantly expand energy efficiency and conservation goals statewide, and contemplates the formation of even more utility programs. All

- efficiency efforts, no matter where they are located, should simply be required to contribute to meeting statewide goals for efficiency and conservation.
3. **Make sure utility programs may continue.** We appreciate the proposals in the bill to encourage and reward utility energy efficiency commitments. As the bill progresses we will want to ensure that existing programs may continue while we look to expand our activities.

Enhanced Renewable Portfolio Standard

1. **Federal and State requirements need to be reconciled.** Alliant Energy has been a leader in advocating for a national Renewable Portfolio Standard (and a national multi-sector approach to carbon reduction and climate issues). If Wisconsin's RPS is significantly different than the Federal one compliance will be more costly than it is already going to be. We support efforts to minimize customer costs for our ratepayers to ensure that least-cost projects be available to comply with similar federal and state RPS requirements. The same applies to Wisconsin's energy efficiency goals.
2. **The 10% RPS in-state requirement will carry added costs.** A 25% RPS by 2025 will commit utilities to a substantial new building program over the next 15 years. While imposing this goal is reachable, we are concerned that the costs of the RPS could increase substantially with an inflexible 10% in-state requirement. As a rule Wisconsin wind turbines are less efficient because wind blows less here than it does to the west. This means the same facilities in Wisconsin cost about 25% more, since the same capital investment produces less energy.
3. **Biomass definitions must be improved.** We have co-signed a memo suggesting improvements and discussing why the bill's language is deficient.

Advanced Renewable Tariff (ART)

1. **ART proposals must be voluntary, not mandatory.** Alliant Energy is supportive of small distributed generation and doing what is feasible to promote technological improvements in this area. We already have an ART tariff paying small generators two to three times the going rate for solar and bio- energy. We also have capped the overall amount we will spend on ARTs, because ART tariffs drive energy costs up for all our customers. Since ART generators are small, but the cost of their power is large, we would get a minimal benefit towards reaching our RPS mandates, while significantly increasing ratepayer costs. The Task Force did not recommend that ARTs be mandated, and it would violate Federal law for a state to require utilities to purchase power above avoided costs.
2. **Retain Act 141 agreements.** Act 141 provided that as long as utilities were in compliance with their RPS and energy efficiency requirements, the PSCW would not be able to mandate further renewable or energy efficiency requirements. These limits provide regulatory certainty, and a form of cost control. One of the unfortunate consequences of allowing the commission to

mandate ARTs is that SB 450 eliminates these restrictions. ARTs may contribute somewhat to our compliance with the RPS, but entering into ARTs is a decision that has consequences for our overall costs and our renewable strategy.

3. **Remove “small utility” exemptions.** While we oppose mandatory ARTs for any power provider, no utilities should be given special treatment under the ARTs mandate. The fact that ARTs may not be such a desirable method for reaching the RPS after all is illustrated by the fact that some utilities are given favored treatment in the bill. If ARTs are good for some ratepayers, then they should be good for all ratepayers.
4. **Do not limit ARTs projects to a utility’s service area.** The Task Force intent was to remove barriers to energy companies as they work to attain their RPS goals. Utilities should be able to invest in ARTs projects wherever they make sense. Utilities already invest in generation outside their service territories.
5. **Allow utilities to invest in or own ARTs projects.** This will create additional incentives for utilities to expand their existing voluntary ARTs programs.

Nuclear Moratorium

1. **Remove non-severability and make a clean repeal.** The bill gives, and then takes away, its’ relaxations of the nuclear moratorium. The bill “relaxes” the nuclear moratorium, and puts unconstitutional requirements on any entity asking the PSCW to consider nuclear power. Then, the bill provides that as soon as those requirements are found unconstitutional, the moratorium is terminated. This is disingenuous. The bill should reflect the Task Force recommendation and relax the moratorium.

Other PSCW Provisions

1. **Remove “exercise of regulatory authority” language (Section 67).** The broad grant of authority proposed in section 67 ostensibly restates the intentions of the bill, but also duplicates existing PSCW authority, while its general language can easily be misconstrued and misused. This kind of language is fertile ground for judicial advocacy spurred on by litigation. Removal will not adversely affect the PSCW’s authority.



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Testimony on behalf of Northwestern Wisconsin Electric Company

Thank you, Chairmen Miller and Plale and members of the Committee, for allowing me to testify regarding Senate Bill 450, the Clean Energy Jobs Act. My name is John Richards. I am Marketing Director of Northwestern Wisconsin Electric Company (NWE) and have worked for NWE for over 18 years. I am testifying today on behalf of NWE regarding the proposed Renewable Portfolio Standards and Advanced Renewable Tariffs contained in the Clean Energy Jobs Act.

Background on Northwestern Wisconsin Electric

NWE is a small investor-owned utility serving almost 14,000 customers in Burnett and northern Polk Counties. NWE's customers are typically agricultural, small commercial, light industrial, and residential with a significant portion being cabins on lakes in the area. NWE has a customer density of only 13 customers per mile of power line. NWE customers heat with propane, oil, wood, or electric heat. Natural gas is available in the villages we serve.

Comments on the Proposed Renewable Portfolio Standard

NWE also has one of the highest mixes of renewables in our energy portfolio with over 12.5% of the energy we sell coming from renewables. This is in part because of the hydro facilities in our service territory that were built in the 1930's. NWE also receives a portion of our renewable mix from our wholesale supplier Xcel Energy.

Under the proposed legislation contained in the Clean Energy Jobs Act, Wisconsin would become a leader in the advancement of renewable energy with a renewable portfolio of 25% by the year 2025. NWE is not against establishing this goal and achieving it. However, the proposed method of achieving this goal is to have each utility in the state increase their renewable mix by 21% above their baseline by 2025. The 21% requirement comes from a statewide average baseline of 4% in 2001-2003. With NWE's baseline of 12.5% in 2001-2003, this means that NWE would be required to increase to over 33% renewables by 2025. Increasing NWE's renewable purchases to 33% in 2025 will add extraordinarily burdensome costs to our rates. Burnett and Polk Counties have per capita income that is well below the state average ranking 53rd and 47th in the state, respectively.

So under this proposal counties that consistently rank lower than the statewide average per capita income and higher unemployment are being asked to buy the highest amounts of renewables in the state.

We respectfully suggest that changes be made to the legislation. We ask that each utility achieve a 25% renewables portfolio individually and that no utility would be required to increase their renewable mix after reaching the 25% threshold. Then each utility and their customers would be required to bear the costs on their own and utilities that have a higher base renewable energy mix would not be subsidizing other utilities' customers. This suggestion is in keeping with the Wisconsin Public Service Commission philosophy of every energy customer being responsible for their own costs. The cost-causer should also be the cost-payer.

Another suggestion is to exclude utilities that are defined as a "Small Electric Utility", as defined in Section 208 of the Act. These are utilities that sold less than 2,500,000 MWH in 2008. NWE sold 168,651 MWH in 2008. This exclusion would have a minimal effect on the total renewable percentage in the state due to the fact that these utilities' sales represent a fraction of the sales statewide.

Comments on Energy Efficiency and Conservation

NWE supports the further advancement of energy efficiency measures throughout the state. We realize this is an important tool to address climate change and quite probably the most cost effective. Because of our location in the state, and relative size, NWE would like to see mechanisms in place to insure equitable distribution of statewide programming, throughout all areas of the state. As a small utility in Northwestern Wisconsin, we often are missed by statewide programming intended to produce results more often found in more populated areas. Also, because our area is marked by low per capita income, utility costs affect personal budgets more severely and so we request that there is Joint Finance committee oversight as the PSCW sets the budget for energy efficiency funding requirements.

Comments on the Proposed Advanced Renewable Tariffs

NWE opposes the mandating of Advanced Renewable Tariffs (ART) for investor-owned utilities in Wisconsin. While the concept encourages the development of renewable energy within the state, mandating that NWE purchase all renewable energy produced within our system, at a price significantly higher than today's wholesale costs, would cause our rates to go even higher than the RPS will. As I have stated earlier, NWE already has the second highest rates in Wisconsin and a requirement to purchase renewable under a statewide ART will make them higher still. This also directly contradicts Act 141 which prevents the PSC from mandating additional renewable purchases if NWE is already meeting its RPS obligation.

Thank you for your time and the opportunity to participate in this process. We are striving hard to keep rates down at NWE and ask that you don't implement laws that create more hardship for our customers.





WISCONSIN CAST METALS ASSOCIATION

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**Statement of Wisconsin Cast Metals Association
Senate Select Committee on Clean Energy
Hearing on Senate Bill 450
January 27, 2010**

As an energy-intensive industry that in better economic times employed almost 20,000 Wisconsinites in metalcasting at an annual payroll of three-quarters of a billion dollars, we are very concerned about certain aspects of this proposed legislation.

How Will Renewables Impact Rates?

One critical area of concern is what the impact will be on utility rates due to a substantially-increased renewable energy mandate. While many of us may support a renewable energy quota in the abstract, we think it's reasonable for all ratepayers (residential, commercial, and industrial) to ask what a 25% mandate might cost them.

The cost of constructing renewable power generation is only part of the equation. A potentially greater challenge is how that power can be integrated and effectively managed on the transmission grid. Renewable power is not base load electricity; there are many complexities involved in utilizing a variable power source. The American Transmission Company already has a ten year, \$2.5 billion plan that will more than double the investment to date in transmission system improvements. Significantly, that total does not include the kind of upgrades necessary for a "smart" transmission grid to manage increased production of renewable energy in Wisconsin. The future cost of this transmission capability and its impact on utility rates is a major unknown under the proposed renewable mandate. Even the \$16 billion cost estimate for the 25% renewable mandate does not include transmission cost – we think the ratepayers are entitled to that information before making a commitment of this magnitude!

WI Electric Rates No Longer An Advantage

Electric utility rates were not so long ago a positive factor for businesses looking to locate in Wisconsin. A relentless series of rate increases over the last decade for a variety of purposes, including generation and transmission upgrades, have eliminated that advantage. With \$1 billion in approved rate increases over the last five years alone, industrial increases have been double the rate of inflation. Over that time rates have gone up 100% for some companies, and Wisconsin now has some of the highest industrial electric rates in the Midwest. (Our energy-efficiency efforts, which have been considerable during this time, have been eclipsed by the upward pressure on rates.) Most homeowners in Wisconsin who track their utility bills could tell a similar story regarding rates.

Facts Not Rhetoric Needed

We also don't believe it's good enough to cloak renewable energy mandates in feel-good rhetoric about all the "green jobs" that will be created and let it go at that. One also needs to ask where these jobs might be created. A November, 2009 Report to Congress of the US-China Economic and Security Review Commission reveals that "China is home to a burgeoning solar industry, due to generous government subsidies for electricity, export incentives, and tariff protections from foreign competition" and that "the United States ran a \$9.6 billion trade deficit for 2008 in green economy products with the whole of Asia" (see p.87). A recent large-scale wind power project in Texas was built using Chinese turbines solely.

We think it's reasonable to ask where the "green jobs" will be located? We shouldn't assume that clean energy products, including solar and wind power equipment, is a new growth business just waiting for Wisconsin entrepreneurs to get involved. China "already has the world's largest solar manufacturing industry and exports more than 95% of its output to the United States and Europe", according to the US-China Commission Report to Congress. China is also a leader in battery technology and it and South Korea supply the lithium-ion battery for the new all-electric Chevy Volt.

About Protecting Our Economy

Another major area of concern about the global warming package is the overriding question of the wisdom of a "go it alone" strategy for Wisconsin on climate change while legislation is pending in the Congress. What kind of competitive disadvantages or double jeopardy could this pose for Wisconsin businesses with potentially two sets of differing regulations? What exposure would our employers have in the absence of federal action, leaving "Wisconsin-only" standards and requirements that drive up their cost of doing business but not the competitors'? These are just a few of the possible scenarios that need to be examined. We trust that the Legislature will look at these and a host of other valid questions as this proposal is considered and its impact is fully evaluated.

For further information,
contact WI Cast Metals Association
(262) 244-0045 or blm@wicastmetals.com





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To: Senate Select Committee on Clean Energy

From: Todd Stuart, Executive Director
Wisconsin Industrial Energy Group, Inc.

Re: Governor's Task Force on Global Warming Legislation, AB 649/SB 450

Date: January 27, 2010

INITIAL REMARKS

Thank you, Mr. Chairman and members of the Committee, for the opportunity to testify on this important subject. I am Todd Stuart, executive director of the Wisconsin Industrial Energy Group, Inc. ("WIEG"). I am testifying on behalf of its members in opposition to Governor Doyle's Task Force on Global Warming Bill, Assembly Bill 649/Senate Bill 450 (the "Bill").

WIEG is a non-profit association of 30 of Wisconsin's largest energy consumers. The group has long advocated for policies that support affordable and reliable energy. Since the early 1970s, WIEG has been the premier voice of Wisconsin ratepayers and an engine for business retention and expansion. Each year its members collectively spend more than \$200 million on electricity in Wisconsin. Together they employ, with well-paying jobs, more than 50,000 Wisconsin residents who are themselves state taxpayers and utility customers. WIEG members represent most major Wisconsin manufacturing industries including paper, food processing, metal casting and fabricating.

THE GLOBAL WARMING TASK FORCE BILL IS TOO EXPENSIVE

THERE IS NO SUPPORT FOR THE CLAIM THAT THE BILL IS COST-EFFECTIVE AND THAT IT WILL CREATE JOBS

WIEG's concerns with the Bill primarily are economic. The Bill's costs simply have not been studied sufficiently to permit WIEG to lend its support. A product of Governor Doyle's Task Force on Global Warming (the "Task Force"), whose mission in proposing the legislation was to "make Wisconsin a leader in implementation of global



warming solutions,” the Bill instead is being sold to the public as the cornerstone of Wisconsin’s economic development efforts.

If the Bill truly is intended to be a cornerstone of our state’s economic development efforts, we all should be greatly troubled because no one knows what the Bill will cost, much less the benefits it will create. Without even a rudimentary cost/benefit analysis, WIEG is bewildered by the efforts many proponents of the Bill are making to sell the Bill as one that will create thousands of jobs. As you know, this Bill works to capture the recommendations made by the Task Force. But at best, the Task Force considered the potential for job creation as secondary to its primary purpose, which was to present a path to reduce Wisconsin’s greenhouse gas emissions.

WIEG cautions that the Bill should not be passed before its costs and benefits are better understood. To the best of our knowledge, none of the Bill’s initiatives have been given serious consideration by the legislative standing committees on jobs/economic development. Over the last two years, few (if any) economic forums around the state addressed the Task Force and its proposals as directed to job creation or economic development.

Perhaps such an analysis will provide unequivocal evidence that the Bill’s costs are clearly outweighed by its benefits. But to assume that to be the case is foolhardy and inconsistent with good governance. This is true in the best of times; it is particularly true in today’s very poor economic conditions. WIEG disagrees with the premise of the recommendation which, at bottom, is this: no price is too great to pay in our State’s effort to reduce greenhouse gas emissions.

While unfortunate for the debate, it should not be surprising that we do not know its costs. The Task Force itself either did not consider—or does not want to clearly show—how costly its recommendations would be to the state, its people and the economy. (Nor did it include in its discussions and deliberations a review of the Bill’s impact on the future of jobs in Wisconsin.) In fact, the Task Force expressly disclaimed an interest in such considerations:

The Task Force also was not asked to evaluate whether the costs of addressing climate change will be greater or less than the benefits achieved. Many members of the Task Force believe that the costs of not addressing climate change substantially outweigh the costs of reducing GHG emissions. Several members of the Task Force disagree or would proceed on a slower track. Under Executive Order 191, the Task Force is not charged with resolving this debate.¹

Moreover, and surprisingly, a word search of the Bill returns zero results for phrases such as “rate mitigation,” “cost caps” and “cost containment” although such references appear

¹ See WISCONSIN’S STRATEGY FOR REDUCING GLOBAL WARMING, Governor’s Task Force on Global Warming, Final Report (the “FINAL REPORT”), at 8 (July 2008).

throughout the Task Force Final Report. We also found no references linking the Bill to federal energy legislation.

As you know, 23 of the state's leading business associations are publicly opposing this legislation. If businesses believed that the Bill really could create the 15,000 jobs as supporters claim, they would get behind the Bill. But even then, at a cost that likely will be around \$16 billion or more, the resulting jobs would cost more than \$1 million each. And that does not even include the very likely loss of jobs that will result from the higher energy rates that will be certain to be passed on to customers and push Wisconsin manufacturers to move production out of the state. In our view, it would be much more cost-effective to work to retain Wisconsin's existing, high-paying jobs than it would be to hope that the Bill will create comparable, high-paying jobs. A bird in the hand, we believe, is better than two in the bush.

Wisconsin manufacturers are not resistant to the goal of reducing greenhouse gas emissions. However, they do believe that, before Wisconsin embarks on the radical changes that would be brought about by this Bill, the state must know well the Bill's cost. And through today, that cost has not been quantified. What we do know is that the current law has already produced unnecessary generation at unnecessary costs. It is certain that this Bill will make the costs of the current RPS pale in comparison.

There should be no doubt that Wisconsin businesses are interested in both less expensive energy and greater job creation. If WIEG believed that the Bill had any reasonable likelihood of reducing energy bills and/or creating jobs, it would be first in line to lend its support. Unfortunately for all of us, the Bill simply does not live up to its billing. This Committee should have absolutely no doubt that, if passed, this legislation will unreasonably and unnecessarily drive up energy costs for all customers and will be a net job killer.

WIEG MEMBERS SUPPORT GREEN ENERGY AND ENVIRONMENTAL SAFEGUARDS. BUT THEY CANNOT AFFORD TO SIMPLY IGNORE THE ACCOMPANYING COSTS.

WIEG has been closely involved with the development of this legislation. WIEG's board chairman served on the Governor's Task Force, and a number of WIEG members participated as working members of Task Force committees. As this Committee is probably aware, the three dissenting "no" votes opposing the Task Force Final Report were from traditional manufacturers, including WIEG's representative.

This Committee should know that WIEG is not opposed to environmental controls on emissions, conservation or renewable energy. Indeed, many of its members have invested millions of dollars in their own efforts to go green, both as a matter of principle and as a matter of economic survival. But at the same time, WIEG believes it is shortsighted and foolhardy to ignore the cost of the Bill on Wisconsin businesses, consumers, and the Wisconsin economy more generally. A close study of these costs is imperative.

WISCONSIN'S ENERGY COSTS ALREADY ARE TOO GREAT AND PUT BUSINESS TO A COMPETITIVE DISADVANTAGE

Wisconsin's energy costs have risen dramatically the past decade and have quickly outstripped those of its neighbors, harming the state's competitiveness. Not long ago, Wisconsin's electric rates were among the lowest in the country. In 2000, residential rates were significantly below the U.S. and Midwest² averages.³ The same was true also of commercial and industrial rates.⁴ At the time, less than a decade ago, each was the third lowest in the Midwest. By 2007, though, Wisconsin's electricity rates had reversed course relative to these averages. All customer groups' rates in that year were above the Midwest average and nearing or above the U.S. average.⁵ Indeed, among Midwest states, residential rates were highest, industrial rates second highest, and commercial rates third highest.⁶ In 2008, the most recent year for which figures are available, Wisconsin's residential rates remained highest and its commercial and industrial rates were second highest in the Midwest.⁷ Moreover, the rates for all three customer classes rose more quickly than did the Midwest averages, increasing the distance between Wisconsin and its neighbors.

Many WIEG members already spend more than a million dollars every month for the electricity necessary to produce their goods and keep their employees working. The dramatic rise in electric rates that now finds Wisconsin with rates nearly the highest in the Midwest harms business competitiveness. And competition does not exist only between companies. It exists within companies as well, as sister facilities compete to expand and, all too often of late, simply to remain operating. Think General Motors, for example.

Many WIEG members have manufacturing facilities in several states, Canada, and/or other countries. While energy costs may not be the most important consideration in determining whether to expand or remain open in Wisconsin, there should be little doubt that in these energy-intensive industries energy costs figure large in the decisions. For some Wisconsin businesses, electricity is their most significant expense.

Wisconsin's unique business climate must be included in consideration of the Bill. Wisconsin has the most manufacturing jobs per capita of any state in the country. It has the country's largest papermaking industry. Wisconsin remains one of the most significant states for cast metal production. Both industries have significant energy needs. In fact, manufacturing makes up approximately 20 percent of Wisconsin's overall

² Midwest states, as used by the Public Service Commission of Wisconsin in its Strategic Energy Assessment Final Report, are Illinois, Indiana, Iowa, Michigan, Minnesota, Missouri, Ohio, and Wisconsin.

³ See STRATEGIC ENERGY ASSESSMENT 2014 FINAL REPORT ("2014 SEA"), Docket 5-ES-104, at 44 (April 2009).

⁴ *Id.*

⁵ *Id.*

⁶ *Id.*

⁷ See ELECTRIC SALES, REVENUE, AND PRICE 2008, U.S. Energy Information Administration, Figures 7.5, 7.6 and 7.7 (Released January 2010.) at http://www.eia.doe.gov/cneaf/electricity/esr/esr_sum.html.

economy, totaling nearly \$49 billion annually. But all of this has been eroding over the years. For instance, Wisconsin lost 164,000 jobs—5.7% of its workforce—since December 2007. Manufacturing losses were the largest—40 percent of the total jobs lost; 63,000 high-paying positions. Although there are too many to name, some of the more notable manufacturers to shut down or substantially reduce their work force include General Motors (Janesville), NewPage (Kimberly and Niagara), and Domtar (Port Edwards). More than 1,000 jobs were eliminated from two Wisconsin paper mills recently, as Tom Scharff of NewPage testified before the Committee, in large part because the Wisconsin facilities had the highest energy costs of all the factories operated by the company in other states, Canada, and other countries. We do not know how many more jobs will be lost with the increases in electricity costs that come with the Bill, but we are confident that traditional manufacturing jobs will not be better secured with the passage of the Bill.

COSTS WILL INCREASE UNDER THE CURRENT RPS, AND LEADING WISCONSIN BUSINESSES HAVE ALREADY WRUNG COST-EFFECTIVE EFFICIENCIES OUT OF THEIR FACILITIES.

Wisconsin utilities are currently required to provide approximately 10% of their electric sales from renewable sources by the end of 2015.⁸ We are currently at about 5%—and we've got a long, expensive way to go. Under current law, utilities will need to spend billions more on the capital expenditures necessary to meet the RPS mandate, even though Wisconsin already has more than twice as much "planning reserve margin" generation than is required by law.⁹ When the Commission issued an Order in 2008 to lower the planning reserve margins to 14.5%, the Commission recognized the benefit that came in the form of lower costs to customers, and it noted that reducing the planning reserve margin has "the potential to produce additional wholesale electric revenues that reduce costs retail customers would otherwise cover in rates."¹⁰ Yet now, the

⁸ Wisconsin's RPS is commonly recognized to be 10 percent by 2015. However, the actual requirement of sales that must be generated from renewable energy by 2015 differs for each utility. The 2015 RPS requirement for each utility is set at six percentage points above the utility's baseline renewable percentage in the years 2001-2003. See Wis. Stat. §§ 196.378(1)(ag) and (2)(a)2.d. Madison Gas and Electric's RPS is 7.73%; Northern States Power—Wisconsin's is 12.89%; WE Energy's is 8.27%; Wisconsin Power and Light Company's is 9.62%; and Wisconsin Public Service Corporation's is 9.74%. See Commission Staff's report in PSC Docket No. 5-GF-173, Electric Provider Renewable Portfolio Standard compliance for CY2007.

⁹ The planning reserve margin is the amount of generation above that which is necessary to meet anticipated demand in the planning year. In October 2008, the PSC adopted a 14.5 percent planning reserve margin for Wisconsin utilities, based in large measure on the increased security accompanying the Midwest Independent Transmission System Operator ("MISO"). See ORDER, Investigation on the Commission's Own Motion To Review the 18 Percent Reserve Margin Requirement, Docket No. 5-EI-141 (October 10, 2008).

¹⁰ Also, the Commission's Strategic Energy Assessment Energy 2012 Final Report, prepared in 2007, indicated the Commission's intent to investigate lowering the planning reserve margin while still maintaining reliability, in an effort to lower costs. Quoting Wisconsin Public Power, Inc., the Commission noted that "by 2012 a reduction in reserve margins from 18 to 15 percent would enable a reduction in Wisconsin's installed generation capacity of as much as 500 MW. Assuming conservatively a price of \$500 per kW for new capacity, this would represent an avoided capital investment of \$250 million. As the system becomes more interconnected and more generation comes online, it may even be possible to drop the reserve margin to as low as 12 percent, doubling the potential avoided capital cost to \$500 million."

Commission has dramatically reversed its decision by approving generation that is being built far in advance of need—a decade in advance of need in the case of one utility. Furthermore, it is not even the case that the capacity surplus of about 2000 MW over the planning reserve margin is producing any significant wholesale electric revenues. Indeed, capacity auction prices are very low as the Midwest ISO region is currently long on capacity. Thus, while this surplus capacity costs billions of dollars to build, it is mostly sitting idle. This is neither reasonable nor justifiable.

Additional renewable generation is only a part of the picture, though. It is in addition to the billions of dollars that Wisconsin is now paying for newly-added large power plants (like Weston 4, and Power-the-Future), transmission upgrades (like Arrowhead Weston), and air emissions retrofits (on many coal plants throughout the state). In other words, it is the “pancaking” of major expenditures on top of each other that already is leading to a future rate shock, even without enacting the Task Force recommendations in this Bill.

Manufacturers can mitigate costs, and have been working to do so for years. However, our energy bills simply cannot and will not ever go down—unless we manufacture and sell fewer products or shut our factory doors. Members have already invested millions of dollars in energy efficiency measures in order to compete and survive in this difficult economy. Despite significant investments, thousand of jobs have been lost recently because there is not much more that leading businesses can do to keep their electricity costs in check.

Without the addition of significant new cost containment measures, WIEG will continue to oppose the Bill, particularly the RPS, ARTs, and energy efficiency mandates. Perhaps during the legislative process the Bill can be improved and amended to protect Wisconsin’s manufacturing base and gain our support.

THE PROPOSED ENHANCED RENEWABLE PORTFOLIO STANDARD AND ADVANCED RENEWABLE TARIFF ARE TOO COSTLY

As we have made clear, WIEG’s biggest concerns with the Bill are focused on the renewable mandates due to the unprecedented levels of capital expenditures necessary to meet the mandates, the resulting rate increases, and the lack of any meaningful cost containment measures.

The proposed 25% RPS—known as the “25 by 25” mandate—forces our utilities to continue to add new, renewable energy generation until 25% percent of its electric sales are derived from those sources, whether the additional energy is needed or not. And it forces the Commission to approve renewable generation projects whether the additional energy they generate is needed or not. This policy, which ignores need, is a radical departure from the more than 100 years of traditional regulatory principles that looked

See Strategic Energy Assessment Energy 2012, Final Report, Docket 05-ES-103, at 57, n.25 (February 2007).

first to the need for reliable energy, before turning to consider more closely which generation was least-cost. Under the proposed RPS mandate—as is true under the current RPS mandate—the generation would be built with little concern about actual need, much less cost.

Renewable energy is particularly expensive in Wisconsin because the resources here are not as great as they are in other parts of the country. First, Wisconsin obviously does not have significant solar resources.

Second, Wisconsin does not have the quality wind resources of its Western neighbors, requiring not only expensive wind generation, but otherwise unnecessary, new transmission costs to bring the wind energy long distances to the state. Moreover, wind generation is intermittent and therefore cannot replace either base load or peaking generation. As one might expect, then, the intermittency of wind has both operational and reliability implications. As a backup to wind (to make it reliable), natural gas fired units are necessary for times when the wind simply doesn't blow (think a hot August day when demand on utilities from, among other things, air conditioners, is at the highest). The result: greater capital expenditures and increased imports and use of natural gas.

Third, while biomass holds potential, it too is expensive new generation. And biomass generation will create considerable pressure on the paper industry which will compete with biomass generation for the same biomass resources. Indeed, each large biomass plant would require a 50- to 100-mile radius for fuel supplies, which will add to the paper industry's top costs (inputs/raw materials and energy). In our view, the "25 by 25" mandate is guaranteed to add significant costs to our state's already high cost of energy. And the Bill's in-state requirement,¹¹ as well as the Advanced Renewable Tariff, will add even more unnecessary costs.

FEDERAL LEGISLATION SHOULD BE CONSIDERED

WIEG also believes that, in order for Wisconsin businesses to remain competitive throughout the country, any enhanced state renewable energy mandate must be compatible with, and not exceed the cost of, federal renewable legislation. Federal renewable standards are currently under consideration by Congress. For example, the U.S. Senate is considering legislation that would mandate a 15 percent RPS by 2021, with a portion of that renewables mandate being satisfied by energy efficiency programs. This Bill absolutely must link state renewables policy to the national standard, whatever that might be. Wisconsin businesses will be at a distinct disadvantage should others, outside this state, have less onerous renewable and energy efficiency mandates and costs than we do.

¹¹ An in-state requirement only makes sense if it is least-cost compared to other alternatives. Wisconsin must continue to adhere to the established principles of reliability, need and least-cost in order to maintain, and hopefully improve, business competitiveness.

TASK FORCE RECOMMENDATIONS ARE MADE WITHOUT IMPORTANT ANALYSIS

With so much at stake, WIEG finds remarkable the areas the Task Force ignored when preparing its proposal. For instance, the Task Force completely ignored federal energy proposals and legislation; the Bill is silent as to how Wisconsin law will fit in with the nation as a whole. Worse still, the Task Force did not consider, much less propose, more substantial cost containment initiatives—“safety valves” or “circuit breakers”—that could be used when costs were escalating beyond all common sense. Nor did the Task Force consider an RPS alternative to its “25 by 25” mantra. We may never know if the current 10 percent mandate is the most cost effective as compared to another amount. Which raises an interesting question: just how did the “25 by 25” mandate get settled upon? The ink wasn’t even dry on the current RPS, in Act 141, when Governor Doyle announced his support for a 25 percent RPS in 2025. We suspect the honest answer is that “25 by 25” has a nice ring to it.

AT \$16 BILLION AND MORE, THE PRICE IS TOO GREAT

Independent researchers have concluded that the Bill will cost ratepayers more than \$16 billion. In a recent study for the Wisconsin Public Research Institute (“WPRI”), the Beacon Hill Institute concluded that the 25% renewables mandate would have a net cost of over \$16 billion, not including transmission costs. Although proponents of the Bill have criticized the WPRI report, our review of the assumptions and figures used in the WPRI study are not inconsistent with those used in the PSC’s Strategic Energy Assessment (pp. 19-20) or the Task Force’s Final Report (p. 114). When we considered the cost per megawatt of new wind farms that the PSC recently approved, such as Crane Creek, Bent Tree, and Glacier Hills, together with proposed biomass facilities, the \$16 billion figure from the WPRI study was in the ballpark with the SEA and Task Force’s Final Report (which included the projected impacts of enhanced energy efficiency spending).

And after receiving rough estimates from Wisconsin’s major utilities of the capacity each would need to reach the enhanced RPS, the \$16 billion price tag from WPRI study is not an unreasonable cost estimate. In fact, that number does not include the cost of the new transmission that will be needed to bring wind from the Dakotas or hydro from Canada. These are additional costs, necessary to comply with the RPS, that cannot be ignored.

These are merely projections. Let’s look at some real-world examples, which confirm that renewable energy projects are being approved by the Public Service Commission even though they are more costly than non-renewable energy projects and, more importantly, not necessary to meet our energy needs.

WISCONSIN'S COMMISSION HAS ALREADY APPROVED MORE THAN ONE AND A HALF BILLION DOLLARS IN RENEWABLE ENERGY PROJECTS THAT IT HAS ITSELF ACKNOWLEDGED ARE NOT NEEDED FOR YEARS TO COME.

Wisconsin's current RPS mandate already provides contrary direction to the Commission and utilities. On the one hand, Wisconsin law requires a showing of need before new generation is built, and it gives priority to conservation. On the other hand, the RPS mandate requires a certain percentage of retail electric sales to be derived from renewable generation. So what happens when a utility does not need new generation to serve its customers, but does need new generation to meet the RPS obligation? Unfortunately, the Commission appears to have concluded that the RPS requirement trumps need, cost, and conservation. Thus, Wisconsin gets unnecessary generation at a premium cost.

- Crane Creek – Wisconsin Public Service Corporation – 2008

The PSC approved the 99 megawatt Crane Creek project for Wisconsin Public Service Corporation (“WPSC”) in April 2008 at a cost of **\$251 million**.¹² The PSC’s decision makes clear that, but for Wisconsin’s RPS requirement, it would not have approved Crane Creek. Commission staff concluded after substantial study that WPSC needed no new generation before 2018. And, in 2018, it recognized that the least expensive generation would not be wind.¹³ Nevertheless, because of the state’s RPS, the PSC approved generation that it knew was not needed for at least nine more years. And today, Crane Creek is almost certainly less necessary than when approved because its “need” was estimated with energy sales forecasts made before our current financial and economic collapse that has resulted in a double-digit reductions in WPSC’s sales of electricity, particularly from industrial customers.¹⁴ That is, its need for electricity in 2018 is very likely much lower today than was forecast when the PSC approved Crane Creek. The state cannot afford to allow Wisconsin utilities to build more, expensive, intermittent generation, particularly at a time of double-digit decreases in electricity sales.

- Bent Tree – Wisconsin Power and Light – 2009

Wisconsin Power and Light Company’s (“WPL”) 200 megawatt wind farm will cost ratepayers nearly **\$500 million**.¹⁵ It too was approved on sales forecasts that did not take into consideration the extraordinary loss of electric sales over the past year and more—and recall that it is within WPL’s service territory that Wisconsin lost such important manufacturers as General Motors and Domtar and, recently, almost lost Mercury Marine.

¹² See CERTIFICATE AND ORDER, Docket No. 6690-CE-194 (May 23, 2008) (the “CRANE CREEK ORDER”).

¹³ *Id.*, at 4.

¹⁴ See MOTION OF WISCONSIN PUBLIC SERVICE CORPORATION TO AMEND AMENDED FINAL DECISION TO REPLACE ELECTRIC AND NATURAL RATE ADJUSTMENT CAPS ON REVENUE STABILITY MECHANISM WITH EARNINGS CAP, Docket No. 6690-UR-119, ¶¶ 8-10 (October 3, 2009) (WPSC residential sales declined 2.09 % from 2006 to 2007, and by 4.16 % from 2007 to 2008, with expectation that residential and commercial customer electric sales will continue to be lower than forecast and used in WPSC rates through at least 2010. Industrial customer sales declined more sharply still with a 12 % reduction).

¹⁵ See FINAL DECISION, Docket No. 6680-CE-173 (July 30, 2009) (the “BENT TREE ORDER”).

Despite its reduced need, WPL requested about \$30 million in its last rate case (Docket 6680-UR-117) for the up-front construction costs of the wind farm that has not yet put any iron in the ground.

- Blue Sky Green Field – WE Energies – 2007

As was the case with Crane Creek, in approving WE Energies' 145 megawatt Blue Sky Green Field Wind Farm in 2007 at a cost of more than **\$300 million**, the PSC expressly recognized that the energy from this project would not be needed until near 2015 and that it was more expensive than fossil fuel generation.¹⁶ So why did the Commission approve the project? Simply stated, the RPS: "Even though fossil fuel generation would likely be more cost-effective than WEPCO's wind project, the Commission must consider its obligation to ensure WEPCO increases the amount of renewable energy resources in its system."¹⁷

- Glacier Hills – WE Energies – 2010

Just last month the Commission approved yet another wind project for WE Energies—this one up to 207 megawatts and at a cost to ratepayers of up to **\$452 million**.¹⁸ It is clear from this decision as well that the very existence of the RPS drove the decision to a much greater extent than did WE Energies' current—or even near future—need for more generation. As the Commission explained,

Because of the requirements of the RPS, WEPCO will require by 2015 more renewable resource generating facilities than it currently owns or has under contract.

...

To the extent there is any concern that this project may be providing energy sooner than demand indicates, the need for this utility to develop renewable energy sources at a reasonable cost, a priority established by the legislature, outweighs any such concern.¹⁹

And, in her concurring opinion, Commissioner Azar expressly recognized that Wisconsin may soon be exporting energy that it does not itself need, given "the current excess of capacity in Wisconsin."²⁰

¹⁶ See FINAL DECISION, Docket No. 6630-CE-294 (February 1, 2007) (the "BLUE SKY GREEN FIELD ORDER").

¹⁷ *Id.*, at 10.

¹⁸ See FINAL DECISION, Docket No. 6630-CE-302 (January 22, 2010) (the "GLACIER HILLS ORDER").

¹⁹ *Id.*, at 10, 14.

²⁰ *Id.*, Concurring Opinion of Commissioner Lauren Azar, at 4.

- Bay Front Generating Facility – Northern States Power Company-
Wisconsin – 2009

The PSC also recently approved Northern States Power-Wisconsin's ("NSPW") proposal to convert a coal-fired generation unit with woody biomass which, when used 100 percent, would generate 20 megawatts.²¹ The cost for the conversion is expected to be more than **\$58 million**. It is apparent from the Commission's decision that NSPW's proposal was made consistent with NSPW's stated interest in reducing its emissions of greenhouse gases. It is also apparent that, like the wind projects that have been approved recently, the Bay Front facility was not "needed" to meet energy needs.

Perhaps most troubling, the Commission's approval of Bay Front appears from the Final Decision not to have been the result of the current RPS, but instead based on consideration of a possible enhanced RPS. The Commission acknowledged that NSPW had conceded that it currently was in compliance with the RPS, and that "the record does not conclusively demonstrate whether this project is necessary for NSPW to meet the RPS for 2015. Nonetheless, no party challenged the Commission staff's testimony that the RPS is likely to change and increase further."²² In short, the Commission approved Bay Front's \$58 million cost not because NSPW needs the generation to meet customer demand; not even because NSPW needs the generation to meet its current RPS obligation; instead, the project was approved in anticipation of an RPS that is still only being debated—*i.e.*, this Bill.

These four wind projects and the biomass facility together will cost ratepayers more than \$1.5 billion—and they are (or will be, once constructed) producing energy that Wisconsin does not need. The projects were approved because of the existing RPS (or, worse, as in the case of Bay Front, an anticipated RPS). Imagine, now, what a 150% increase in RPS requirement (from 10 percent to 25 percent) will do to customer bills, at a time when the generation simply is not needed. We will be generation rich, yes. But cash poor.

THESE RENEWABLE PROJECTS WERE APPROVED EVEN BEFORE WISCONSIN'S NEED FOR GENERATION DECREASED SUBSTANTIALLY AS A CONSEQUENCE OF THE RECESSION.

Each of the above renewable projects was approved with forecasts of energy needs prepared before the recession. Each of Wisconsin's utilities had dramatic reductions in their electricity sales from 2007 through 2009. While utilities had long seen electricity sales increase at a rate of about two percent a year, the recession has reduced the forecast substantially and many anticipate that the need will not return to pre-recession numbers for years to come.

The loss of sales brought with it perverse results: utilities sought rate increases from the Commission to replace the revenues they lost with decreasing electric sales. In 2009, Wisconsin's utilities requested more than \$300 million in new rate increases. Roughly half of the requested increases were directly related to lost electric sales due to

²¹ See FINAL DECISION, Docket No. 4220-CE-169 (December 22, 2009) (the "BAY FRONT ORDER").

²² *Id.*, at 6.

the recession. WIEG and others filed testimony to block utilities from collecting higher rates from their lost electric sales, or at least delay the recovery. The PSC rejected the arguments. Imagine, then, what customers can expect if our utilities actually do sell less electricity due to the policies in the Bill. If history serves as a guide, utilities will be allowed to charge higher rates to cover the lost sales revenues. In other words, when our factories use less electricity, the PSC authorizes higher electric rates; the electric bill does not go down. This results in further rate increases, leading to further reductions in manufacturing, leading to more rate increases, and then more reductions in manufacturing, and so on. A classic death spiral.

Clearly, this is a highly undesirable, though plausible, outcome should the Bill be enacted. Subjecting businesses to costs associated with fulfilling a political agenda of a subjective mandate is a risk we cannot afford to take. Therefore, large customers are seeking opt-out provisions from the cost assignments related to RPS mandates. The exemption from such costs is needed so that manufacturing jobs and businesses can be retained in Wisconsin.

STATE GOVERNMENT IS PAYING TOO MUCH FOR OTHER STATUTORY MANDATES.

On top of the higher rates we pay our utilities, we as state taxpayers are also paying an unnecessary price for renewable power. The state recently had to back away from a pledge to get UW campuses “off the grid” as it was too expensive and not technically feasible. As part of 2005 Act 141 the largest state agencies have a goal, not a hard mandate, to get 20% of their electricity from renewable sources by December 2011. The state now gets only 10% from renewables. And all of us paid a premium of \$1.4 million last year, which is 29% more than expected.

If these “green” programs for the state government are expensive and can’t feasibly be met by the mandated year, do we really want to place a multi-billion dollar gamble on our state’s overall economy? Proponents of the Bill claim these premiums will pay off in the long term. But the stakes are incredibly high, and some of the state’s businesses and the good-paying jobs they bring with them, very well might not survive in the short term.

THE PROPOSED ADVANCED RENEWABLE TARIFFS ARE TOO COSTLY.

Advanced Renewable Tariffs (or Feed-In Tariffs or “ARTs”) are just as problematic, perhaps even more problematic, than the 25% renewables mandate. By definition, an ART subsidizes higher cost, small scale renewable generation with above-market rates. That adds to upward pressure on electric rates, and we already have some of the highest rates in the Midwest. ARTs are designed to force in some of the highest cost generation, which is not very efficient nor is it least cost, and further deviates from traditional and established rate making and rate setting principles.

The goal of this provision is to maximize distributed generation “without unreasonable impacts on electric utility rates.” However, as we have seen with the implementation of the current 10% renewables mandate (despite the Act 141 “off ramp”

language for “unreasonable impacts”) provides little or no relief for ratepayers. There are currently no real safety valves to protect ratepayers.

We suggest that ARTs remain voluntary and the mandatory language be removed. Further, a utility should not have to purchase renewable energy through ARTs if their RPS requirements have been met.

WIEG RECOMMENDATIONS WITH RESPECT TO AN ENHANCED RENEWABLE PORTFOLIO STANDARD AND ADVANCED RENEWABLE TARIFF

WIEG opposes the RPS and ART proposals. If these provisions can't be removed from the Bill, then WIEG suggests adopting circuit breakers, cost containment, and opt-out measures to protect Wisconsin ratepayers.

- “Circuit breakers” must be adopted in connection with the RPS, including direct retail rate caps or per customer bill impact limits.
- Wisconsin’s RPS must not exceed a future federal RPS.
- The RPS mandate must be limited by a cap on excess generation capacity. Wisconsin cannot afford to build new generation when there is no showing of need for new generation.
- Rate mitigation strategies such as levelization of cost recovery should be added to the Bill.
- The RPS must be technically feasible and clearly provide benefits that outweigh its costs.
- Exempt industrial customers from costs related to RPS mandates as other states have done in an effort to retain well-paying manufacturing jobs and businesses. *See Appendix.*
- Energy efficiency initiatives must count toward fulfilling the RPS obligation, just as renewable generation does under current law and as contemplated by federal standards, and as already is the case in some states.
- ARTs must not be mandatory; instead, ARTs should be strictly voluntary.

ENERGY EFFICIENCY PROGRAMS

As mentioned earlier, WIEG does not oppose reasonable measures for energy efficiency and conservation as we already have a strong incentive to save energy and costs because of global competition. The industrial sector is the only part of our economy to have flat or declining energy consumption and air emissions over time due largely to those efficiency efforts.

Some WIEG member companies have pledged to support EPA’s Climate Leaders and DOE’s Save Energy Now programs to reduce energy consumption, relative to output,

by 25%. That is a big difference from the system created in the Bill. The companies and their pledge to the federal agencies are all relative to output, but not absolute reductions, as in the Bill. The absolute reductions the Bill proposes are anti-growth for our companies and our state's economy.

Energy efficiency programs (also commonly known as Public Benefits or Focus on Energy) have traditionally been supported out of the need to control costs by deferring or eliminating the need to build new power plants. But with the renewables mandate, utilities are forced to build new power plants, albeit "green" power plants. The economic benefit of additional spending on energy efficiency is greatly diminished and probably nullified by the "25 by 25" mandate. It undermines the claim that energy bills will go down, especially in the short term. In reality, we are adding cost upon cost onto our monthly electric bills. It is especially acute for energy-intensive industries that invested early in efficiency programs.

WIEG therefore has serious concerns over the "sum sufficient" language in the Bill. The legislation as drafted takes the current approach of collecting and spending 1.2% of utility revenues (currently about \$94 million annually) on energy conservation, efficiency and renewables programs, and changes it to a method that funds an energy savings goal of 2% annually. There are few, if any, checks and balances regarding this funding mechanism. Further, WIEG has concerns over how realistic this 2% savings goal would be in the real world, and we have doubts over the cost effectiveness and rate impacts, especially when combined with the 25% renewables mandate.

Reducing our electric consumption by 2% each year is very aggressive and most likely very unrealistic, especially sustained over the long term. In the post-WWII history of the United States, we have never reduced electric consumption by 2%. We came very close in 1982 and 2001, but those reductions in consumption were driven by very poor economic conditions. Although the electric consumption data is not in for 2009, it is very possible that we will finally hit the 2% reduction milestone in that year. The broader question for lawmakers is this: is 1982, 2001 and the 2009 recession really the goal we want to set for ourselves? Can we sustain those reductions indefinitely? Are we simply signing a blank check for these programs?

Under current law, budgets for the state's energy conservation, efficiency and renewables programs are determined periodically by the PSC in a contested case hearing process taking account of relative benefits and costs of such program efforts. We believe that was also the intent of the Governor's Task Force.²³ However, the Bill does not have the contested case process described or detailed. This will essentially create a black box process at the PSC.

Under current law, the PSC can approve funding levels for Public Benefits greater than the 1.2% of utility revenues after the conclusion of a contested case process. If the PSC approves budget levels, it must be sent to the Joint Committee in Finance for review and approval. The Bill removes the approval by the Joint Committee on Finance. The current structure of the Public Benefits programs was originally created in 1999 Act 9

²³ FINAL REPORT, at 73.

and then modified by the 1.2% funding levels of 2005 Act 141. WIEG believes that legislators need to make sure that the Bill keeps the review of funding levels and the oversight of the cost effectiveness of these programs. At a minimum, the current checks and balances need to be kept in place regarding funding for Public Benefits. Cost caps should also be considered, especially due to the rate impacts of the renewables mandate.

WIEG opposes the proposed tripling or even quadrupling of the Public Benefits fees²⁴ on electricity bills because large energy consumers will be paying dramatically more in contributions for programs that have been politically abused. We absolutely must have greater assurances that the current programs are being conducted in accordance with a cost effectiveness standard.

We are very concerned that the Bill is going to continue the disturbing trend of turning Wisconsin's utilities into hidden-tax collectors. Since 2002, \$166 million of utility ratepayer dollars have been collected to pay for non-energy-related government spending. Over these years, \$111 million was transferred from energy efficiency programs and spent elsewhere, \$37 million was transferred from low-income energy assistance and spent on Wisconsin Works (W-2) payments, and, for this two-year period, \$18 million will be collected to help pay for district attorney offices. The \$18.3 million in salaries and fringe benefits for district attorney offices will be paid for by "public utility assessments." Electric utilities in Wisconsin are required, by state law, to charge their customers for these assessments, though some utilities are assessing the new tax as part of the existing low-income energy assistance tax and some are assessing it as a stand-alone tax. Given the troubles with the state budget, we believe more raids and taxes are likely.

Due to all the reasons listed above, large customers are seeking opt-out/opt-in provisions regarding Public Benefits programs. Industrial customers naturally have done, and continue to do, projects that are as energy efficient as possible. Large energy consumers already have a built-in incentive to conserve energy as they face global competitive and economic pressures. It is difficult to design conservation programs for large sophisticated companies with unique and complicated manufacturing processes. It can often be more cost effective for these customers to design and implement their own conservation programs rather than through the generic programs sponsored by Focus on Energy or the utilities. Additional utility-managed energy efficiency programs may not provide the desired outcome. There are examples of opt-outs in many other states around the country that can be used as a model.

Finally, WIEG is troubled by the language in which a utility may be allowed by the PSC to earn a return on capital invested under a utility-administered or supplemental utility program for energy conservation or efficiency equipment that is located on a customer's premises, including equipment owned by either the energy utility or the customer. It is the reference to equipment owned by a customer that creates problems for us. The Bill should be amended to clarify that this applies only if it is utility shareholder capital.

²⁴ *Id.*, at 70.

WIEG RECOMMENDATIONS WITH RESPECT TO ENERGY EFFICIENCY MEASURES

WIEG currently opposes the energy efficiency mandates in the Bill. The following amendments could help protect manufacturers and potentially gain our support for the revised energy efficiency programs:

- Public Benefits budgets should be determined periodically by the PSC in a contested case hearing process, taking account of relative benefits and costs of such program efforts. A contested case is not referenced in the Bill draft but should be.²⁵
- Cost effectiveness standards must be established prior to program implementation.
- Legislative oversight of the Public Benefits programs must be retained.
- Opt-out/opt-in provisions related to energy efficiency for large energy customers must be expanded. There are examples of opt-outs in many other states that can be used as a model. *See Appendix.*
- Implement a rate crediting mechanism that rewards substantial early action in conservation and energy efficiency taken by large, energy-intensive industry at its own expense after 2004.²⁶
- Clarify that utilities can only earn a return on efficiency if it is the utility shareholder's capital, not the customer's capital, used in the project.

INDUSTRIAL BOILER ENERGY EFFICIENCY LANGUAGE SHOULD BE REMOVED

This provision mandates annual boiler inspections²⁷ and must be deleted. Specifically, this provision would create a requirement that industrial boiler owners (excluding industrial boilers owned by cooperatives, utilities, and wholesale merchant plants to generate electricity) must inspect boilers annually and, based on this inspection, owners must take action to maximize energy efficiency and minimize GHG emissions.

We are not exactly sure where this provision came from. WIEG assumes this was drawn from the Task Force Final Report, at page 92, but we object to the legislative language in the Bill. Further, we believe if it is to be included at all, it should be replaced with the recommendations of the Task Force Final Report on pages 187-193.

A big part of the cost concern is regulatory consequences, like Prevention of Significant Deterioration (PSD) / New Source Review (NSR). The concern is that, in

²⁵ *Id.*, at 73.

²⁶ *Id.*, at 71.

²⁷ The Bill, section 51.

order to achieve very small gains in energy efficiency or air emissions, hundreds of millions of dollars in upgrades might be triggered. There is no cost-benefit consideration, so the efficiency and emission criteria would control, regardless of cost or economic impact. We urge the committee to delete this provision.

**INTRODUCTION OF NEW REGULATORY AUTHORITY LANGUAGE
SHOULD BE REMOVED BECAUSE IT IS UNNECESSARY
AND WILL RESULT IN UNCERTAINTY WITH RESPECT TO OTHER
STATEMENTS OF REGULATORY AUTHORITY**

“Exercise of Regulatory Authority” should be deleted.²⁸ This language creates regulatory authority for the PSC that is way too broad and vague. This new duty is written in such a way that it could arguably trump other PSC duties such as least-cost, need and reliability. The PSC should have the tools necessary regarding energy efficiency, conservation and renewables under existing statutes.

**GHG EMISSION REPORTING SHOULD BE DROPPED IN FAVOR OF
ADOPTING FEDERAL REPORTING REQUIREMENTS**

The proposed GHG Emission Reporting requires DNR to promulgate rules requiring the reporting of CO₂ at levels of 10,000 tons per year or more, and to require the reporting of methane and nitrogen oxide emissions from combustion sources. The EPA’s greenhouse gas “Tailoring Rule” has proposed a 25,000 ton standard. WIEG therefore recommends deleting this provision or requiring that the rules mirror EPA’s standards.

CONCLUSION

Energy, economic development and environmental policy are all inextricably linked. As a percentage of total employment, Wisconsin employs the highest number of manufacturing workers in the U.S. Wisconsin is also one of the most dependent states in the nation on coal-fired electricity.

In 2009, Wisconsin’s utilities requested more than \$300 million in new rate increases. Roughly half of the increase requests were directly related to lost electric sales due to the recession. WIEG and others filed testimony to block utilities from collecting higher rates because of their lost electric sales. The Public Service Commission rejected our arguments. If utilities actually do produce less electricity because of the policies in the Bill, they then will be allowed to charge higher rates to cover the difference. In other words, when we use less electricity the PSC allows higher rates and our bills do not go down. Again, there are billions in new energy costs that must be paid for. We can only mitigate the extreme rate pressure Wisconsin is facing. Unfortunately, the renewables mandate in the legislation piles on even higher rates at the worst possible time.

²⁸ *Id.*, section 67.

The Final Report, at page 4, shows that Wisconsin might get to 2005 levels of carbon emissions by 2025 under the best case scenarios. In other words, the Bill is very expensive and it doesn't even make a dent in fossil fuel use at the corresponding \$16 billion in annual expenditures. We would be spending billions to mitigate only a negligible amount of "costs of inaction." Wisconsin's carbon emissions are a fraction of a percent of the world's carbon emission. As for economic development benefits and "getting ahead of the curve," we are certain that progressive and sophisticated companies can leverage their capital and invest in more cost effective strategies better than this massive grab bag of policies.

Wisconsin would be imposing billions of dollars in new costs that other states—and certainly nations—won't face. That's a potential disaster. We can pretend that economic competitiveness doesn't matter, but we've already raised electric rates higher than all other Midwestern states. Perhaps not coincidentally, Wisconsin lost 164,000 jobs, 63,000 of which were manufacturing jobs that paid above average wages. Imposing huge new costs on manufacturers today is like throwing anchors to drowning victims.

The last couple years have been a bloodbath for manufacturing jobs. Manufacturers can't fully pass these increases along to their customers. We can't raise energy costs further and potentially ship more jobs to other states and other countries.

We can pretend costs don't matter or that energy bills will go down. But with double-digit unemployment in manufacturing-dependent areas of Wisconsin, it's pretty clear economics do matter. So let's elevate the debate and work toward realistic energy policies that will improve the environment and improve our economic competitiveness. We need a real cost-benefit analysis performed on this controversial legislation and we absolutely need stronger cost caps and cost containment initiatives added to state energy law.

- APPENDIX -
RPS Mandates:
Opt-Out Provision Examples for Large Customers

State	Exemptions	Comments
Delaware 26 Del. C., § 353	Customers with peak demand 1500 KW or greater	RPS is calculated as percentage of total retail sales in the state that is to be derived from Eligible Energy Resources. Total retail sales are defined as sales exclusive of sales to any industrial customer with a peak demand in excess of 1,500 kilowatts
Texas PURA §39.904(m-1),	Customers taking service at transmission level voltage	A customer receiving electrical service at transmission-level voltage who submits an opt-out notice to the commission for the applicable compliance period shall have its load excluded from the RPS calculation.
Maryland § 7-703	Customers using 300,000 MWh annually	
Illinois, Maine, Nevada, Texas, Delaware	Publicly owned utilities (and therefore, customers served by them) can be exempt	

Energy Efficiency Programs: Opt-Out Provision Examples for Large Customers

State	Customers Eligible for Opt-Out	Comments
Texas PUCT §25.181	Customers on transmission service level voltage only participate in load management/DR Programs	
Missouri MO Statutes Section 393.1124.7	Any of the following three criteria make customers eligible to opt out: <ol style="list-style-type: none"> 1. 5 MW or larger 2. Operating an interstate pipeline station regardless of size 3. Accounts within the service territory of the electrical corporation that have, in aggregate, a demand of 2,500 kilowatts or more, and the customer has a comprehensive demand-side or energy efficiency program and can demonstrate an achievement of savings at least equal to those expected from utility-provided programs 	
Oklahoma (OG&E Settlement, January 2010 – Awaiting Final Order from Commission)	Customers using more than 15,000 MWh annually, regardless of number of meters or service locations, can opt out of the energy efficiency programs.	Explicitly states that lost revenues not assignable to customers that opt out
Virginia VA code Chapter 23, 56- 585.1 a 5 c,	<ol style="list-style-type: none"> 1. Customers with more than 10 MW can opt out without conditions. 2. A large general service customer defined as using 500 KW or above from a single meter of delivery can opt out provided energy efficiency programs have been implemented (with verifiable results consistent with industry standards) at the customer's own expense. 	Explicitly states that lost revenues not assignable to customers that opt out
Minnesota MN Statutes 216B.241 Subd. 1 (b)	A large electric customer can petition to be exempt from energy conservation related programs and costs. At a minimum, the petition must be supported by "evidence relating to competitive or economic pressures on the customer and a showing by the customer of reasonable efforts to identify, evaluate and implement cost-effective conservation improvements at the facility."	



WISCONSIN STATE LEGISLATURE





SB 450?

Madison, WI January 29, 2010

Dear Committee Co-Chairs Senator Plale and Senator Miller,

Wind Capital Group, a Midwest-based wind energy company with offices in Madison, strongly supports the Clean Energy Jobs Act. Our company believes that the Clean Energy Jobs Act will help strengthen Wisconsin by creating new jobs and opportunities in key sectors of the state economy, stabilize long-term energy prices, provide greater energy independence, and move Wisconsin toward a cleaner environmental future.

Wind Capital Group is actively developing several wind energy facilities throughout the state. Each facility represents the potential for hundreds of jobs in planning, engineering, construction, operation, and maintenance. In addition, thousands of other jobs throughout the manufacturing supply chain will provide the equipment and materials necessary for modern renewable energy facilities. The Enhanced RPS will help attract new manufacturers to Wisconsin and the requirement for utilities to provide 10% or more of the renewable energy from Wisconsin sources will ensure that our state captures the full economic benefits of renewable energy development.

Enhanced renewable energy production in Wisconsin means that the billions of dollars presently being spent in other states and countries to import needed energy, will instead remain in this state - fueling more economic growth and opportunity. Each of our proposed commercial scale-wind facilities will inject millions of dollars into local rural economies through taxes and landowner payments, and provide much needed growth and stability to agricultural communities throughout Wisconsin.

Today we have the skill and technology to transform the wind and sun, as well as other renewable fuels, into the electricity that powers the homes and businesses of Wisconsin. Although we don't know what the cost of fuels such as oil, gas, and coal will be in the future (both financially and environmentally), we do know that the cost of renewable resources like the wind and sun will remain constant and clean for years to come.

Wind Capital Group believes the Clean Energy Jobs Act provides an excellent framework for moving Wisconsin forward toward a more innovative, prosperous, and environmentally healthy future – and we look forward to playing a part in that future.

Sincerely,

Dean Baumgardner
EVP, Technical Services and Construction
Wind Capital Group

www.windcapitalgroup.com

1430 Washington Ave. • Suite 300 • St. Louis, MO 63103
314 685-3000 • Office • 314 685-3000 • Fax

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WISCONSIN STATE LEGISLATURE



City of Stevens Point
1515 Strongs Avenue
Stevens Point, WI 54481-3594
FAX 715-346-1530



Andrew J. Halverson
Mayor
715-346-1570

February 2, 2010

Senator Jeffrey Plale
Room 313 South
State Capitol
P.O. Box 7882
Madison, WI 53707-7882

Dear Senator Plale,

Unfortunately, I am unable to attend any of the public hearings in Madison regarding State Senate Bill 450, Clean Energy and Jobs Act. Instead, this letter has been drafted to express the importance of S.B. 450.

Senate Bill 450 will help Stevens Point to obtain an environmentally and economically healthy community. S.B. 450 would be beneficial to the city of Stevens Point due in part to its inclusion of specific language that addresses schools, local government, and energy efficient communities. These points of focus increase the opportunity for cities like Stevens Point to gain access to grants that will enable the city to achieve the goals of a more energy efficient infrastructure in our community. S.B. 450 also includes explicit targets in reduction of greenhouse gasses and increase in conservation. This directly correlates to the mission statement of the Stevens Point Eco-municipality Task Force which is to ensure an ecologically, economically, and socially viable future for Stevens Point and to inspire other communities in the region to take a similar path.

Stevens Point has already declared by resolution its commitment to working toward a more energy efficient community by establishing a framework for the community's future. We have sustainability goals in place that include energy modeling when considering new construction, and tracking of energy cost and consumption. S.B. 450 would promote programs that could help to reduce the cost of a cities operation. I believe that programs that convey fiscal responsibility to the citizens while at the same time reducing the impact on the environment will receive the support of the community. S.B. 450 would help Stevens Point continue its commitment to sustainability as well as further the ability to gain access to the resources that can help our community reach our goals and objectives, fiscally and environmentally. Please support S.B. 450, Clean Energy and Jobs Act.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew J. Halverson".

Andrew J. Halverson, Mayor
City of Stevens Point





companion
to SB 450

February 2, 2010

WI Assembly's Special Committee on Clean Energy jobs,
AB 649:

Co-Chairmen Black and Soletski, members of the Assembly committee, thank you for the opportunity to be here with you and to share with you how Assembly bill 649 will affect my company.

I am Tom Scharff, Director of Energy Services for NewPage Corp, my office is located in Wisconsin Rapids. I was a member of the Governors Task Force and one of three that voted "no" to the recommendations and the primary reason was due to a lack of a cost benefit analysis. We are opposed to AB 649 as now written.

Let me start by describing my company, NewPage Corporation:

NewPage Corporation is the largest coated paper manufacturer in North America based on production capacity. The company's product portfolio is the broadest in North America and includes coated freesheet, coated groundwood, supercalendered, newsprint and specialty papers. These papers are used for corporate collateral, commercial printing, magazines, catalogs, books, coupons, inserts, newspapers, packaging applications and direct mail advertising.

NewPage owns 12 paper mills in 6 different states and one located in Nova Scotia, Canada. But only 10 of the 12 mills are currently operating. We have 6 mills located in Wisconsin, but only 4 are still operating.

We were forced to shutdown our Niagara WI mill in July 2008 and our Kimberly WI mill in September 2008.

In 2000 when we were Consolidated Papers, we had 4,315 Wisconsin based employees; TODAY in Wisconsin we have 2,300! That is a loss of over 2,000 high paying manufacturing jobs in Wisconsin!

NewPage Corporation
Energy Services
P.O. Box 8050
Wisconsin Rapids, WI 54495
t: 715 422 3073

While I still consider it an honor to have been asked and to have served on the task force, it was quite frustrating for me that little concern was placed on what the cost impact of the recommendations would be.

I hear people advocating that we will have all these “green jobs”, well frankly it is more expensive to try and create a new job than it is to retain a job and I would much rather have kept the 2,000 high paying paper company jobs than lose them for the possibility of green job creation!

We were a founding member of the Chicago Climate Exchange, thus we have been voluntarily tracking and reporting our CO2 reductions since 2003 with our total actual reductions to date exceeding 700,000 metric tons of CO2.

We have a very aggressive and focused energy efficiency program and have achieved a 16% reduction in overall energy consumed per ton of paper sold. We continue to attack our energy consumption, because it reduces our costs, and keeps us competitive!

My point with this is we have been and continue to be good environmental stewards, we know our GHG footprint; we understand energy efficiency and our results show it. We were reducing our GHG footprint and energy consumption before it became the popular thing to do.

We get it and I believe that is why I was asked to serve on the Governors Task force for Climate Change.

Energy is one of our top three highest costs of manufacturing paper, with fiber (Pulpwood) being #1 and labor #2.

We know what the cost to make a ton of paper is at each of our mill sites and from each paper machine. When we have to remove production capacity due to market conditions, we shutdown the most expensive machines first, when we removed over a million tons of paper capacity from the market in 2008 we shutdown the Niagara and Kimberly mills, both Wisconsin mills. There is a message there, that our costs in Wisconsin are already higher than the other states.....

My company consumes about \$400 million dollars of energy annually, within our energy portfolio 50% of our boiler fuels is biomass/renewable and 16% of our electricity is renewable.

Our current Central Wisconsin mills monthly electric bill exceeds \$6 million dollars! How would you like to get that whopper of a bill in the mail each month!

In 2000 the average cost of electricity to our mills was approximately 3.4 cents/kwh.

In 2009 the average was 5.8 cents per kwh for an increase of 70%!

With this background let me explain our concerns with this proposed legislation:

Boiler efficiency and mandatory inspections are problematic for us, we have a total of 16 operating boilers, if I add in Niagara and Kimberly's we have 25. Mandatory boiler inspections could significantly increase our costs or cause us to shutdown facilities. Additionally, required inspections could trigger the need to install expensive pollution controls under the Prevention of Significant Deterioration program. This program requires the installation of Best Available Control Technology when certain actions are taken, like boiler modifications. Our environmental folks have estimated this could cost us \$10-20 million PER boiler! With 16 operating boilers in our Wisconsin mills, you can do the math. If this is passed, we may be forced to consider moving production to one of the other 5 states where we have facilities since they would not have this onerous requirement. Let me add, as a member of the task force I do not recall this EVER being discussed at the task force meetings, I believe this goes beyond the original intent of the task force!

Public Benefit fee increase:

The bill is proposing to increase public benefit fees from a current 1.2% average to 3-4%. There currently is a cap on this which we support and feel needs to continue, however, if for some reason we are held to a 4% level of funding, this would increase our cost for Wisconsin operations only an additional \$3 Million dollars a year! We would once again have to look at moving orders away from WI operations to another state where this added cost does not hit us.

Lastly, the Renewable Portfolio Standard (RPS):

Why would we increase our states RPS to 25%? My understanding is that the utilities are currently at about 5%, with a requirement to get to 10% by 2015... We have already experienced a 70% increase in electricity costs and the state is not even at the 10% target yet.... How much of an increase in electricity costs will I see if the utilities are required to get to 25%?

I can't answer that because I don't know. Why? because a cost/benefit analysis was never conducted on this recommendation by the task force.

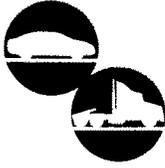
However, economists at the Boston based Beacon Hill Institute have and the number they have provided says for Wisconsin to get to a 25% RPS level, electric customers would see an increase in rates of \$16.2 Billion, even our own PSC data says \$15 Billion. Once again, if Wisconsin imposes additional costs that other States do not, we would be forced to move paper orders away from Wisconsin to one of the other 5 states or to Canada where we operate! This would be at the expenses of jobs and possibly additional mills being shutdown.

NewPage consumes about 3% of all energy in the state so to do a high level estimate of what impact this could have on NewPage Wisconsin operations, when asked, I would have to tell my company's senior leadership that a 25% RPS could potentially cost us 3% of \$15 or \$16 Billion dollars.

These are tough economic times and the paper industry is struggling against increased costs, a tough market and foreign competition. Why would Wisconsin, the number one papermaking state in the country add these additional costs to their core industry? We have already lost thousands of jobs; personally I have a very hard time seeing how this can be called a jobs bill!

Co-Chairmen Black and Soletski, and the committee members, thank you for your time and the opportunity to share with you how this legislation would impact our company.





Wisconsin Automobile & Truck Dealers Association

WILLIAM A. SEPIC
President

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(608) 251-5577 FAX: 251-4379

Mailing Address:
P.O. Box 5345, Madison, WI 53705-0345
www.watda.org

To: Members of the Wisconsin Legislature
**Cc: Wisconsin Senate Committee on Clean Energy and Wisconsin Assembly
Committee on Clean Energy Jobs**
From: Bill Sepic, President, and Mary Ann Gerrard, Legal Counsel
Date: February 3, 2010
**Re: California's Low Emission Vehicle and Zero Emission Standards in Senate Bill
450/Assembly Bill 649**

If Senate Bill 450/Assembly Bill 649 is passed as currently drafted, Wisconsin would cede all of its authority for regulating vehicle emission standards to bureaucrats in the California Air Resources Board. Moreover, Wisconsin would become the only Midwestern state to adopt California's extremely expensive standards, which would particularly harm Wisconsin's automobile and truck dealers.

The Wisconsin Automobile & Truck Dealers Association strongly opposes Section 276 of SB 450/AB 649 and calls on the Senate and Assembly to reject these very costly policies that yield no environmental benefits beyond the federal regulations. Below is detailed information explaining the provision in SB 450/AB 649 and outlining the very negative consequences associated with these policies.

Understanding California's Low Emission Vehicle Standards (CA LEV)

CA LEV is a series of standards that regulate tailpipe emissions, fuel efficiency, and the type of motor vehicles produced. Specifically, CA LEV is comprised of three sections – Low Emission Vehicle (LEV) II, the Zero Emission Vehicle (ZEV) Mandate, and greenhouse gas emissions standards (commonly referred to as AB 1493 or the Pavley standards).

The third component of CA LEV – the greenhouse gas emissions standards – is what most people today associate with the program and is the reason why the policy was considered by Wisconsin's Global Warming Task Force.

National Program Removes the Need for Adopting California's Emission Standards

Although we disagree with your premise that SB 450/AB 649 simply adopts the federal standards, we agree with you that the need to adopt California's standards is moot due to the federal regulations currently being implemented.

The Task Force's recommendation to adopt CA LEV was made at a time when federal policy lagged behind state activity in respect to greenhouse gas emissions. In the interim between the Task Force's Final Report and the introduction of SB 450/AB 649, significant activity at the federal level has eliminated any need for individual states to adopt the California program.

On May 19, 2009, automakers joined with President Obama, federal agencies, governors and environmental leaders to announce a commitment to establish a National Program that will reduce carbon emissions and increase fuel economy.

The National Program unifies three unique sets of overlapping requirements:

1. Fuel economy standards administered by the National Highway Traffic Safety Administration (NHTSA) under the Department of Transportation;
2. Potential limits on greenhouse gas emissions from vehicles administered by the Environmental Protection Agency (EPA); and
3. California's proposed greenhouse gas emissions standards, known as AB 1493, that 13 additional states and the District of Columbia have agreed to implement if California receives its requested waiver.

The National Program will require significant increases in fuel efficiency across the entire new vehicle fleet, and will provide automakers the certainty needed for long-term product planning. The result is an expected 30 percent reduction in greenhouse gas emissions, or 890 million metric tons of CO₂ equivalents, from automobiles by 2016. Below is a table showing how the National Program compares with California's emission standards:

	AB 1493 ¹	EISA: NPRM ² May, 2008	National Program
2011	26.7	27.8 Final Rule: 27.3	27.3
2012	29.5	29.2	29.8
2013	29.9	30.5	30.6
2014	30.4	31.0	31.4
2015	31.3	31.6	32.6
2016	32.3	n/a	35.5

The National program will apply to all 50 states, and its implementation will effectively replace the CA LEV greenhouse gas standards for model years 2012 – 2016 in all “California” states. The resulting single national standard – supported by automakers, environmental leaders, and California alike – is more stringent than any of its parts, equating to a combined fleet average of 35.5 miles per gallon by 2016.

CA LEV's greenhouse gas emissions standards were the focal point of the Task Force's decision to include the California standards in its final recommendations. With the development of the National Program, the recommendation is now obsolete.

¹ California Air Resources Board, “Comparison of Greenhouse Gas Reductions for the United States and Canada Under U.S. CAFE Standards and California, An Enhanced Technical Assessment”, February 25, 2008 – Table 6: CA CO₂-Equivalent Standards and Estimated Fuel Economy in Other States – page 10.

² Federal Register, Volume 73, No. 86, Friday, May 2, 2008, “Combined industry wide average fuel economy...”, page 24355.

California's Emissions Standards Do Not Make Sense for Wisconsin

CA LEV is a California program designed by California legislators and regulators – none of whom are accountable to Wisconsin or its residents. In addition to the significant developments at the federal level, we believe CA LEV is the wrong public policy choice for Wisconsin for the following reasons:

1. ***Limiting the sale of Trucks, Minivans, and SUVs.*** In order to comply with California's low emission vehicle standards, automobile and truck dealers would have to severely restrict the number of trucks, minivans, and SUVs they are able to sell in this state. A major difference between the National Program and California's regulations is that the National Program sets varying requirements for vehicles of different sizes; whereas, California's emission standards set fleet average requirements. In order to meet these standards, automobile and truck dealers would be forced to sell more compact and subcompact vehicles. This would be particularly disastrous to Wisconsin automobile and truck dealers who are trying to survive in the economic downturn. Moreover, Wisconsin consumers prefer light trucks. According to 2008 new vehicle registrations, 49 percent of the vehicles purchased in Wisconsin were light trucks (SUVs, light trucks, and minivans).³ Furthermore, Wisconsin would become the only Midwestern state to adopt California's emissions standards, placing Wisconsin's automobile and truck dealers at a competitive disadvantage.
2. ***No Measureable Environmental Benefit.*** The two remaining provisions of CA LEV that are not impacted by the federal agreement include the Low Emission Vehicle program or LEV II and the Zero Emission Vehicle (ZEV) Mandate. These two smog and ozone forming emissions provisions of CA LEV provide no measureable environmental benefit above and beyond the existing federal program, called Tier 2, which Wisconsin already follows.
3. ***CA LEV Does Not Support Wisconsin's Commitment to E85 Technology and Infrastructure.*** California's emission standards constrain the sale of E85-capable, flex fuel vehicles that are critical to the success of the ethanol industry in the state. In model year 2008, 30 models of flex fuel vehicles were available to consumers; however, more than 25 percent of those models were not available in states that adopted California's emission standards.
4. ***Significant Cost.*** The ZEV Mandate, a battery-powered/hydrogen fuel cell mandate, is the most expensive regulation in the history of the California Air Resources Board (CARB). The latest CARB figures estimate that this regulation may cost upwards of \$1 billion annually for the six largest manufacturers, in California alone. However, the ZEV Mandate is not just expensive for manufacturers, it also requires a fiscal commitment by the state to build the infrastructure (hydrogen fueling stations, battery-electric charging stations, etc.) necessary to support the advanced technology vehicles mandated in this provision.
5. ***Handing Regulatory Authority to California Bureaucrats.*** By adopting California's low emission vehicles standards, Wisconsin would turn its regulatory authority over to the California Air Resources Board (CARB) and tie itself to all future changes CARB makes. Incidentally, CARB is in the process of completely overhauling both LEV II and the ZEV Mandate. Wisconsin will have no material impact on any emerging regulations, but will be obligated to adopt every change made.

³ See <http://www.autoallianceonline.com/redirects/autochoice/>.

Conclusion

In conclusion, the Wisconsin Automobile & Truck Dealers Association, the Alliance of Automobile Manufacturers, and Wisconsin Corn Growers Association strongly oppose the proposed greenhouse gas and other vehicle emission limitations contained in SB 450/AB 649.

In summary:

- With the adoption of the National Program on greenhouse gas emissions and fuel economy, the driving factors behind the Task Force's recommendations to adopt California's low emission vehicle standards in Wisconsin were addressed. The new federal standards are more stringent than California's standards and apply nationwide.
- California's emissions standards will not support Wisconsin's commitment to E85 technology and infrastructure.
- Adopting CA LEV provides no measureable environmental benefit above and beyond the existing federal standards and in turn come at a significant cost to this state.
- The legislation will severely limit the vehicles that can be sold in Wisconsin and will increase the cost of those vehicles.
- By adopting California's standards, Wisconsin will cede all its authority to non-elected bureaucrats on the California Air Resources Board.

We ask the Senate and Assembly to reject the adoption of California's low emission vehicles and Zero Emission Vehicles standards, and continue to adhere to the federal standards that are soon to be in place.



February 5, 2010

Dear Senators and Representatives serving on their respective Clean Energy Committees:

I am writing to you on behalf of McCoy Group and its various subsidiaries. Our subsidiaries including Truck Country of Wisconsin have approximately 400 Wisconsin employees. We are very concerned not only with the scientific validity of the data suggesting that man causes global warming but with the cost of various political solution proposals.

While specifically excluding considerations relating to economic costs, the Governor's Global Warming Task Force released its final recommendations. Based on that report, SB 450 and AB 649 were introduced. These bills contain dramatic changes in environmental regulations including Low Carbon Fuel Standard, mandating California emission standards on cars, mandating a 25% renewable energy standard, new surcharges on utility bills, and other measures that include statewide truck idling rules.

The Wisconsin Policy Research Institute and the Beacon Hill Institute reports that if enacted:

- Wisconsin will lose 43,000 private sector jobs over 11 years.
- Wisconsin will add 12,000 government jobs
- Motor fuel costs will increase \$3.2 billion over 11 years.
- Electricity bills increase \$16.2 billion by 2025.
- Every state resident will lose \$1,012 a year in personal income by 2020.

Wisconsin gets in excess of 50% of its oil related energy from Canadian shale oil. If enacted, a LCFS will drive up the cost of Canadian oil and punish Wisconsin consumers (including our employees) at the pump, at home and the grocery store. A study published by the Marshall Institute found that a LCFS would increase the price of gas by 61-cents per gallon. That is simply unacceptable. It will dramatically impact the ability of Wisconsin to keep good paying manufacturing jobs in Wisconsin. Future business development by the private sector is needed to keep Wisconsin growing. Stunting that growth is unacceptable to Wisconsin's citizens. Across the political spectrum the citizens by significant margins oppose cost increases in energy.

Highway user fees paid by the trucking industry in Wisconsin are very high. With the 30% increase in truck registration fees in 2007, Wisconsin now ranks in the top ten in the country for both fuel tax and registration fees paid by truckers. A typical tractor semi-trailer combination in Wisconsin now pays more than \$1,600 more in state highway user fees, compared with the national average.

In conclusion, Wisconsin should not try to emulate California where, for example, only a very small percentage of its oil energy comes from Canadian shale oil. Higher energy and fuel costs will deepen the recession in our economy. Wisconsin will not be able to maintain a competitive position with other states in attracting private sector jobs. We urge you to not support this legislation.

Regards,

William F. Arnold
Chief Financial Officer
McCoy Group, Inc.
Truck Country of Wisconsin, Inc.
billarnold@truckcountry.com

Highway Users Memorandum

To: Co-chairperson Mark Miller
Co-chairperson Jeffrey Plale
Members of the Senate Select Committee on Clean Energy
Co-chairperson Spencer Black
Co-chairperson James Soletski
Members of the Assembly Special Committee on Clean Energy Jobs

From: Aggregate Producers of Wisconsin
Independent Business Association of Wisconsin
Marathon Oil Company
Midwest Equipment Dealers Association
Midwest Food Processors Association
National Federation of Independent Business – Wisconsin Chapter
Wisconsin Automobile & Truck Dealers Association
Wisconsin Automotive Aftermarket Association
Wisconsin Grocers Association
Wisconsin Housing Alliance
Wisconsin Manufacturers & Commerce
Wisconsin Motor Carriers Association
Wisconsin Petroleum Council
Wisconsin Petroleum Marketers & Convenience Store Association
Wisconsin Retail Council
Wisconsin Restaurant Association

Date: February 9, 2010

Subject: **SB 450/AB 649, relating to recommendations of the Governor's Task Force on Global Warming**

As representatives of Wisconsin's highway users and fuel-supply organizations, we share a common interest in fostering and supporting a healthy Wisconsin economy. A number of us have communicated to you, both in writing and in person, our deep reservations that implementation of the recommendations of the Governor's Task Force on Global Warming (SB 450/AB 649) will have dire, negative effects on Wisconsin. In particular, SB 450/AB 649 would create a new renewable portfolio standard of 25 percent by the year 2025 which, we estimate, would cost ratepayers roughly \$15 billion in renewable energy power plant construction costs.

In this memorandum we wish to highlight aspects of the recommendations of the Governor's Task Force on Global Warming which, we think, would have a detrimental effect on individuals and businesses which make use of Wisconsin's network of highways and local roads.

Opposition to Low Carbon Fuel Standard

SB 450/AB 649 would require the Wisconsin Department of Natural Resources to promulgate, by rule, a "low carbon fuel standard" if certain conditions are met. We believe it is inevitable that the conditions contained in SB 450/AB 649 would be met.

For Wisconsin, a low carbon fuel standard would ban or severely restrict usage of corn ethanol and Canadian crude oil. Both are carbon intensive fuels. Under SB 450/AB 649, therefore, two motor vehicle fuels critical to Wisconsin would be restricted. Such a restriction would lead,

inevitably, to motor vehicle fuel supply constraints and increased fuel prices. A recent study concluded a low carbon fuel standard would increase gasoline costs in Wisconsin by up to 61 cents a gallon, bad news for Wisconsin individuals and businesses.

By discouraging or banning the use of corn ethanol and Canadian crude oil in Wisconsin, Wisconsin would, we predict, rely more heavily on crude oil from the Middle East. And make no mistake, Canada will continue to extract its crude oil, it just will be exported elsewhere, negating any perceived environmental benefit.

Opposition to California Low Emission Vehicle Standards

SB 450/AB 649 would require the Wisconsin Department of Natural Resources to promulgate, by rule, statewide emissions limits for passenger cars, light-duty trucks, and medium-duty trucks that are passenger vehicles and have gross vehicle weights of 10,000 pounds, or less. The new emission limits would be identical to California-adopted emission limits and would be updated to reflect changes made in California to its emission limits.

California emission limits, if adopted in Wisconsin, could greatly limit the sale of trucks, SUVs, and minivans in Wisconsin. No Midwestern state has adopted California's emission standards and Wisconsin should not become the only Midwestern state to cede its regulatory authority to California bureaucrats. These emission limits would, a recent study concluded, result in a net cost increase of \$968 for every new vehicle sold in Wisconsin.

Opposition to New Carbon-Audits of Transportation Projects

SB 450/AB 649 would require the Wisconsin Department of Transportation to conduct new, intensive carbon-audits of proposed transportation projects. The audits would require the department to calculate the total greenhouse gas emissions and energy use which would result from a proposed transportation project, over the life cycle of the project. The audit would include assigning and considering the monetary value of the resulting greenhouse gas emissions and energy use.

These new carbon-audits, we fear, would greatly undermine the ability of the Department of Transportation to ensure Wisconsin's transportation network infrastructure is adequate to meet the needs of Wisconsin shippers and other motorists. Effectively, we predict, these new carbon-audits, over and above the existing environmental and economic evaluations currently made, would serve to stymie Wisconsin's ability to, for example, expand highway capacity, where needed. As users of the system, our members know and understand the importance of our existing transportation network and oppose these attempts to enact new hurdles to transportation projects.

Opposition to Flawed Diesel Engine Idling Standards

SB 450/AB649 would prohibit the operator of a truck tractor from idling the truck tractor's engine for more than five minutes in any sixty-minute period unless certain conditions are met. Generally, we believe that reducing diesel idling makes sense both from an environmental and economic perspective, but that the provisions in SB450/AB649 are unworkable. As drafted, they would jeopardize highway safety, would not address off road vehicles, and would fail to insure uniformity of the regulations throughout the state.

We would suggest alternative language to accomplish a similar objective. The Clean Diesel Coalition, consisting of a number of business organizations as well as some environmental groups and the DNR has been working on a draft of idling regulations for over a year and we feel that it is a better alternative to what is included in SB 450/AB 649. We respectfully encourage you to consider this alternative as stand-alone legislation.

In closing, we look forward to working with you as the Legislature considers implementing the recommendations of the Governor's Task Force on Global Warming.

For more information contact, please contact:

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Pat Osborne at (608) 258-9506, email osborne@hamilton-consulting.com
R.J. Pirlot at (608) 258-3400, email rjpirlot@wmc.org
Bill Sepic at (608) 251-5577, email wsepic@watda.org

Cc: Wisconsin legislators



February 10, 2010

Dear Wisconsin Legislator,

After careful review the following agricultural organizations wish to express our concerns with AB 649 & SB 450. Our members are the producers, processors and input suppliers of Wisconsin's \$59 billion agricultural industry which employs 10% of Wisconsin's work force. While agriculture could eventually gain from some of the provisions in AB 649 & SB 450, at this time there are too many unknowns as to the costs and environmental benefits that would result from AB 649 & SB 450.

Our members are concerned that no cost benefit analysis has been done to properly evaluate the new costs to be incurred against any offsetting benefits to agriculture, which is an energy-dependent industry. A related issue is the unknown potential for job gains or losses. We are hopeful there will be a substantive analysis that will determine what the overall impact of the bill will be on the state's number one industry, agriculture. In addition to the economic question if agriculture were to adhere to every aspect of the bill, we need to know what the impact will be on Wisconsin's environment.

Every recommendation for incentives in the Governors Global Warming Task Force from the Ag and Forestry Working Group that would help rural Wisconsin cope with the certainty of a higher cost of living was unfortunately left out of AB 649 & SB 450. Our state's rural residents are already at an income disadvantage and rural areas generally trail urban areas in job creation. For example, what's labeled as an incentive for agricultural producers to grow bioenergy crops has no dollars appropriated to fund it. Rather, funding is punted to the first day of the next fiscal biennium and the resourcefulness of a Legislature not yet elected. We feel it will be difficult to ask our constituency to accept the certainty of higher energy prices in exchange for the slender hope that the 2011-12 Legislature will discover a meaningful funding source. Furthermore, other state incentives recommended by the Ag and Forestry Work Group to promote development of distributed generation in rural areas are dropped in favor of electric rate subsidization that will hurt low-income households already having difficulty paying their bills.

We look forward to working with you to produce legislation that will benefit Wisconsin's \$59 billion agricultural industry and provide meaningful environmental benefits to all citizens of Wisconsin.

Thank you for your consideration of our concerns.

Sincerely,

Cooperative Network
608-258-4400

Wisconsin Poultry and Egg Industries Association
920-648-8341 ext. 223

Wisconsin Agribusiness Council
1-877-WIS-AGRI



Lynch, Abigail

From: Trisha A. Pugal [pugal@wisconsinlodging.info]
Sent: Wednesday, February 10, 2010 12:46 PM
To: Sen.Miller; Sen.Plale; Sen.Wirch; Sen.Hansen; Sen.Jauch; Sen.Grothman; Sen.Kanavas;
Sen.Lazich
Cc: Mark Johnson; Scott Krause; Kirk Drusch; Bob Dove; Denise Stillman; Connie Barbian; Kathi
Kilgore
Subject: SB 450 - Concern on Low Carbon Fuel Standard

February 10, 2010

To: Select Committee on Clean Energy
From: Trisha Pugal, CAE
President, CEO
RE: **Concerns with SB 450 relating to a Low Carbon Fuel Standard**

While the Wisconsin Innkeepers Association, representing 900 lodging properties around the state, does not oppose the concept of Clean Energy measures, we do wish to share our concerns and opposition to one component of SB 450 in particular.

The proposed **Low Carbon Fuel Standard**, basing the DNR's development of a rule requiring the reduction in the carbon intensity of transportation fuels sold in our state on a non-binding majority vote of the Midwest Governor's Association, can lead to the restriction or banning of corn ethanol and restrictions on oil extracted from Canada – two of the geographically closest and most economical options for fuel in our state. The primary alternative would be to rely more heavily on imports from the Middle East.

The Governors voting in favor of this are not required to have this requirement adopted in their own state, meaning that they could be voting to approve something that would become a mandate in another state (ours) without having to follow the same rules in their states.

As our industry is dependent upon travelers to and around our state, many of whom travel by car, we have concerns over any new mandates that could raise the cost of gas purchased by ourselves and our travelers, as this would become a barrier to overnight travel. Another concern over the potential new regulations would be supply limitations, which not only drives the price up but also presents another barrier to travel.

Please remove the Low Carbon Fuel Standard component from SB 450 and avoid yet another price increase for Wisconsin taxpayers and the travelers we invest in marketing to attract to stay in our properties and spend their money in area retail businesses. Thank-you for your consideration.

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