Memorandum

TO: Governor's Task Force on Energy Efficiency and Renewables

FROM: Renewables Workgroup and Stakeholders

DATE: July 9, 2004

RE: Recommendations for a Successor Renewable Portfolio Standard and Further Consideration of Public Comments

After months of deliberation, the Renewables Workgroup of the Governor's Task Force on Energy Efficiency and Renewables has developed a consensus recommendation for a new renewable portfolio standard (RPS) for the state. This standard includes a 2% renewable energy increase by each electric provider by 2010 and an additional 4% increase by each electric provider by 2015, resulting in a statewide average of 10% by 2015. The recommendation also includes provisions for implementation delays, compliance with the state's Energy Priorities Statute and revisions to the current credit-trading program, among other issues. The elements of the framework are described below:

Recommendations

1. One of the primary principles guiding the Renewables Workgroup is to craft a policy that spurs development of new renewable-based generation that displaces fossil fuel generation in Wisconsin

2. All qualifying renewable-based generation (including hydro under 60 MW of generation capacity) that is owned by or under a contract to a Wisconsin utility should be counted toward a new renewable standard regardless of age or type of resource, as long as that electricity replaces fossil-based electricity in Wisconsin.

3. With respect to the first two items above, if the Wisconsin utility is part of an interconnected multi-state system that serves Wisconsin and other states, the policies above would apply to renewable-based generation within the footprint of the utility's interconnected system, not just generation located in Wisconsin. The same policies would also apply to qualifying renewable generation located outside of Wisconsin that are owned by or under contract to a Wisconsin utility, provided that the generation source is not also used to qualify toward a renewable portfolio standard of another state, i.e. not double counting.

4. A new standard will require legislation. The Public Service Commission (PSC) should oversee utility compliance with a new standard; for utilities not regulated by the PSC, such as the co-ops, compliance should be enforced through civil proceedings as under the current process.

5. The Workgroup supports a new statewide renewable standard of 10% of total retail electric sales from renewables by 2015, which will remain the base standard in subsequent years. The Workgroup has determined that current renewable sales statewide are at 4% of total retail electric sales.

6. To achieve the new statewide standard, all electric providers will be required to increase their own renewable electricity sales by a total of 6% by 2015. This includes a 2% increase by 2010 and an additional 4% increase by 2015, resulting in a statewide average of 10% renewable energy by 2015. The beginning date is 2004. The increase is phased-in to allow for transmission infrastructure development.

7. Electric providers will submit implementation plans, either as a part of the SEA or in a special docket designed to facilitate compliance with the Energy Priorities Law.

8. Delays in reaching the new standard may arise owing to circumstances beyond a utility's control. Electric providers may seek an implementation delay for the 2010 and/or 2015 requirements if they can demonstrate:
    - undesirable impacts on the reliability of the provider's system
    - undesirable economic impacts on the provider's ratepayers, including those arising from a discontinuation of federal renewable energy tax credits or successor policies intended to reduce the acquisition costs of renewable electricity
    - delays in receiving required siting or permitting approvals
    - transmission constraints that interfere with the deliverability of renewable electricity to the provider's system

9. The new standard will constitute fulfillment of the Energy Priorities Law as it pertains to renewable resources. This will be stated in the enabling legislation. Provider compliance is defined as either meeting the standard or demonstrating that the standard could not be met due to circumstances beyond the provider's control. The PSC should be given the authority to determine what constitutes a reasonable delay.

10. Consistent with current procedure, providers should report their progress toward achieving a new standard to the PSC annually. This applies to all providers whether or not they are subject to PSC oversight.

11. Credits should have a 4-year life span as measured by the calendar year or be consistent with the life span of credits created under a regional trading program. Generators placed in service after Jan. 1, 2004 can be certified for credits. The details to track the life span will need to be worked out in the rule-making process, particularly whether the life of credits will be tied to the day of creation or tracked through inventory accounting.

12. Purchases from hydro facilities with greater than 60 MW of generation capacity will not count toward this new standard.

13. Existing law regarding cost recovery of renewable energy acquisition should continue through the next mandated period (i.e. renewable energy acquired to comply with the new standard may either be rate-based or sold through a green pricing program). This policy would apply to any State of Wisconsin purchases of renewable electricity.

14. Credits created under the current RPS law should expire at the end of 2011. The current RPS legislation may need to be amended to reflect this.

15. The PSC's current policy combining renewable energy credits and other environmental attributes should continue.

16. The definition of biomass resources under the current RPS law will need adjustment to remove the "in-state" reference.

17. Resources created through earlier Wisconsin mandates should count toward a new Wisconsin standard.

18. Resources mandated in other states should count toward a new Wisconsin standard as long as there is no double counting.

19. All– and partial-requirements wholesale customers of Wisconsin utilities are entitled to an allocation of renewable credits from their suppliers where the cost of renewable resources are included in wholesale rates.

20. The group supports allowing joint action agencies (e.g. WPPI, Dairyland Cooperative) to continue aggregating renewable credit purchases on behalf of their members.

The workgroup also received numerous suggestions from the public at the hearing held on June 15th. Several of those recommendations were encompassed in the elements described above. The workgroup also recommends the following initiatives for further consideration:

- Refine the model wind ordinance and reference guide currently under development. Pursue this issue with Senator Cowles in time for the next legislative session.
- PSC should consider net metering in future proceedings.
- Wisconsin should stay abreast of offshore wind project developments on the East Coast.