

Wisconsin State Assembly

P.O. BOX 8952 • MADISON, WI 53708

February 9, 2010

Eric Callisto
Chairman
Wisconsin Public Service Commission
610 North Whitney Way
Madison, Wisconsin 53707-7854

Dear Chairman Callisto:

Thank you for testifying before the Assembly Special Committee on Clean Energy Jobs on the aspects of Governor Doyle's Global Warming legislation subject to new government regulation by the Wisconsin Public Service Commission (PSC). While your brief remarks and cursory overview was appreciated, we remain deeply concerned about the lack of available PSC data detailing the costs of the proposal and in particular the costs associated with the cornerstone of Governor Doyle's Global Warming legislation - the new mandate requiring 25% of Wisconsin's energy to come from renewable resources by 2025.

As we indicated in a recent letter to the Committee's Co-Chairs, this committee will not be in a position to cast an informed vote on the Governor's Global Warming legislation until its costs and its impact on the state's economy have been addressed. We respectfully ask for your assistance in this effort.

Utility Costs – 25% by 2025

The only cost-benefit analysis of the Governor's Global Warming Task Force recommendations has been done by trained economists at the Boston-based Beacon Hill Institute. Their conclusion is that the utility costs of the 25% by 2025 mandate will exceed \$16.2 billion. In your testimony before our Committee, you claimed the analysis by the Beacon Hill economists was flawed but offered no competing cost analysis.

Since then, we have reviewed data from the PSC 2014 Strategic Energy Assessment and recent PSC rate cases to determine on our own whether the \$16.2 billion cost to the utilities of the 25% by 2025 mandate is at least a reasonable cost estimate. We conclude it is and offer this analysis.

Public Service Commission 2014 Strategic Energy Assessment

In this report, the PSC concluded wind power will be the most affordable renewable energy at a cost of \$2.32 million/megawatt and that in order to meet the new mandate requiring 25% of Wisconsin's energy to come from renewable resources by 2025 at least 400 megawatts of renewable energy will be needed annually through 2025. Using the lowest cost renewable energy alternative – wind power at \$2.32 million/megawatt will result in annual utility costs of \$928 million (\$14.8 billion by 2025).

Public Service Commission Decision – Crane Creek Wind Project

In April, 2008 the PSC approved the Wisconsin Public Service Corporation's 99 megawatt Crane Creek wind energy project at a cost of \$251 million (\$2.53 million/megawatt). Applying the same analysis used by the PSC in its 2014 Strategic Energy Assessment to this decision will result in annual utility costs of \$1.01 billion (\$16.2 billion by 2025).

Public Service Commission Decision – Glacial Hills Wind Project

Last month, the PSC approved the We Energies' 207 megawatt Glacial Hills wind energy project at a cost of \$452 million (\$2.18 million/megawatt). Applying the same analysis used by the PSC in its 2014 Strategic Energy Assessment to this decision will result in annual utility costs of \$872 million (\$13.9 billion by 2025).

These three analyses all suggest the new mandate requiring 25% of Wisconsin's energy to come from renewable resources by 2025 will cost utilities between \$13.9 billion and \$16.2 billion. It should be noted that these figures do not factor in the costs of building the transmission lines to facilitate placement of this renewable energy on the grid.

We respectfully request PSC cost estimates (including transmission costs) of the 25% by 2025 RPS mandate on an annualized and cumulative basis through 2025. In the absence of this vital information, it is our view the cost-benefit analysis by Beacon Hill Institute economists accurately portrays the true costs of this "expensive proposition" to quote Committee Co-Chair, Jim Soletski's apt description of this new government mandate.

Consumer Costs – 25% by 2025

The inconvenient truth of utility costs is that utility customers pick up the tab. In the last five years, the PSC has approved \$1 billion in electric rate increases. Industrial electric rates grew by more than 50% between 2000 and 2007 – much faster than any other Midwest state, and more than twice the rate of inflation. In 2008, the most recent year for which data is available from the United States Energy Information Administration, Wisconsin's residential electric rates are the highest in the Midwest and its commercial and industrial rates were second highest in the Midwest. At a time when the state's supply of electricity exceeds demand by almost 30%, double the state's legal requirement, Governor Doyle's Global Warming legislation mandates Wisconsin utilities buy or build additional renewable energy at a cost of approximately \$1 billion a year from now until 2025.

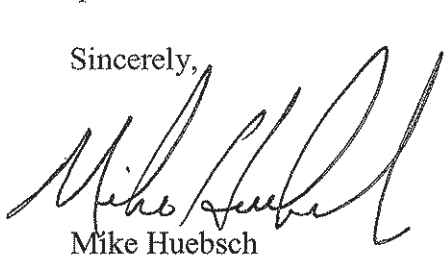
We note in a recently published *Wisconsin Energy Cooperative News* article, you were quoted as saying "Utilities can't carry the water for everybody. Electric Utilities account for one-third of the CO2 emission in Wisconsin and those with the other two-thirds need to step up." Later on in this same article, you were quoted as saying that "This can't all be on the backs of utility ratepayers."

Clearly, you recognize utility costs of the 25% by 2025 mandate must be apportioned. To that end, we respectfully request answers to the following questions: a) how much of these utility costs will be paid for by homeowners through higher electric rates in 2015, 2020 and 2025; b) how much will be paid for by industrial customers through higher electric rates in 2015, 2020 and 2025; and c) how much of these utility costs will be paid for by commercial customers through higher electric rates in 2015, 2020 and 2025?

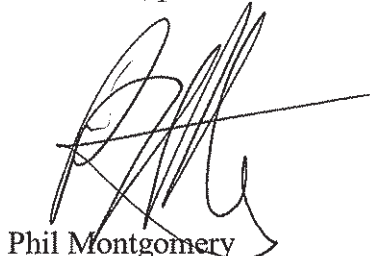
The Assembly Special Committee on Clean Energy Jobs has scheduled its next public hearing for Monday, February 15. We respectfully ask you to provide committee members with the aforementioned data and answers to questions listed above so that we can plan accordingly for further committee action on Governor Doyle's Global Warming legislation.

Thank you in advance for your prompt attention to our request. In the interim, if you have questions or need additional information, please contact us.

Sincerely,



Mike Huebsch



Phil Montgomery



Scott Gunderson