

Mike Kuglitsch

STATE REPRESENTATIVE • 84TH ASSEMBLY DISTRICT

DATE: January 9, 2014
RE: **Testimony on 2013 Assembly Bills 595 and 596** / *Senate Bills 470 and 473*
TO: The Assembly Committee on Energy and Utilities
FROM: Representative Mike Kuglitsch

Thank you Mr. Chair and the Committee members for hearing my Testimony on Assembly Bills 595 and 596.

At the recommendation of the Public Service Commission, Senator Cowles and I have put together and introduced a package that will streamline and create a more efficient process within the PSC in a variety of areas. The two bills that we have introduced are not intended to be controversial and have industry support on the various topics that are covered throughout the package.

As stated throughout this session, we are working towards a lean and efficient government, doing away with antiquated language and bringing our statutes up to date with current practices. While Assembly Bills 595 and 596, deal mostly with technical changes, these bills will ultimately assist utility companies with delivering a better product to its customers.

The Public Service Commission will be testifying shortly to explain the technical fixes that are found in the legislation and the efficiencies gained by adopting both Assembly Bills 595 and 596.

Thank you again for the opportunity to bring these bills before you today. I will answer any questions you may have, but please note the PSC will further explain the legislation.

STANDING COMMITTEES:
Energy, Consumer Protection, and
Government Reform, Chair
State and Federal Relations, Vice-Chair
Transportation, Public Safety,
and Veterans and Military affairs



ROBERT L. COWLES
Wisconsin State Senator
2nd Senate District

JOINT COMMITTEES
Joint Audit Committee, Co-Chair
Joint Committee on Information Policy
and Technology

TO: Members of the Senate Committee on Government Operations, Public Works and Telecommunications
FROM: Senator Robert Cowles
DATE: January 9, 2014
RE: Senate Bills 470 and 473 / Assembly Bills 595 and 596

Chairman Farrow and Members of the Committee:

Thank you for having a public hearing on Senate Bills 470 and 473 today. I am pleased to offer these bills and their Assembly companions, Assembly Bills 595 and 596, with Rep. Kuglitsch. We think these bills will streamline operations at the Public Service Commission (PSC), offer greater certainty to Wisconsin ratepayers and new growth opportunities for Wisconsin businesses.

We are authoring these bills this session at the suggestion of the PSC. I would consider many of the provisions of these bills to be follow-ups to last session's Act 155, the PSC Reform Act. PSC staff, working with stakeholder groups, developed the provisions contained in these bills.

Senate Bill 470 is quite technical in nature and seeks to repeal outdated statutes, streamline PSC processes, and focus PSC resources on the functions that will provide the most value for the rate-paying public. The bill repeals outdated definitions, updates other statutes to reflect current practices, and clarifies ambiguities that were left over from last session's PSC Reform Act.

Senate Bill 470 makes a few changes to statutes that we feel will benefit ratepayers and job creators in this state. The bill promotes energy displacement technologies at industrial facilities by clarifying that all renewable facilities, regardless of age, should be allowed to create Renewable Resource Credits (RRCs). The bill also exempts customer-requested natural gas drops from PSC approval, which will reduce unnecessary staff time and cost at the PSC. Finally, the bill allows small territorial exchanges to approve customer switches without PSC involvement, as long as all parties, including the customer, agree. Again, this will result in less wasted staff time at PSC and less bureaucratic red tape for customers and businesses to have to navigate.

While largely technical in nature, we do feel that these bills can aid the PSC in becoming more efficient and can be beneficial to Wisconsin ratepayers and job creators. Thank you once again for your consideration of Senate Bills 470 and 473.

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Assembly and Senate

JOINT PUBLIC HEARING

Assembly Committee on Energy and Utilities

Senate Committee on Government Operations, Public Works, and Telecommunications

January 9, 2014

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Act 155 placed in the statutes cost thresholds for the requirement that a public utility obtain a CA before beginning a new construction project. After the Act became law, we decided the reference may be too broad and could be read to apply, for example, to the requirement to obtain a CA before a utility expands its service territory. This bill corrects the cross reference so that the cost thresholds only apply to a *construction* CA, as originally intended.

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

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

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

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

RPS PERCENTAGE REQUIREMENTS			
Status Quo			
Electric Provider or Aggregator*	Baseline RPS (%)	2010 RPS (%)	2015 RPS (%)
Adams-Columbia Electric Coop	2.92	4.92	8.92
Bangor Municipal Utility	6.62	8.62	12.62
Barron Light & Water Utility	6.85	8.85	12.85
Belmont Mun Water & Elect Util	2.76	4.76	8.76
Benton Mun Elec & Water Util	2.86	4.86	8.86
Black Earth Electric Utility	3.23	5.23	9.23
Bloomer Electric Utility	6.47	8.47	12.47
Cadott Light & Water Mun Util	6.72	8.72	12.72
Central Wisconsin Elec Coop	2.94	4.94	8.94
Centuria Municipal Electric Util	12.37	14.37	18.37
Clintonville Water & Electric Util	1.44	3.44	7.44
Consolidated Water Power Co	16.47	18.47	22.47
Cornell Mun Water & Elec Util	6.65	8.65	12.65
Dahlberg Light & Power Co	1.37	3.37	7.37
Dairyland Power Cooperative*	2.44	4.44	8.44
East Central Energy	0.64	2.64	6.64
Elkhorn Light & Water	3.43	5.43	9.43
Gresham Mun Light & Pwr Util	2.43	4.43	8.43
Hazel Green Municipal Utility	2.87	4.87	8.87
Kiel (City of) Utilities	3.07	5.07	9.07
Madison Gas & Electric Co	1.73	3.73	7.73
Manitowoc Public Utilities	3.19	5.19	9.19
Marshfield Elec & Water Dept	2.91	4.91	8.91
Mazomanie Electric Utility	2.45	4.45	8.45
Medford Electric Utility	6.41	8.41	12.41
North Central Power Co Inc	33.11	35.11	39.11
Northern States Power Co WI	6.89	8.89	12.89
Northwestern WI Elec Co	12.48	14.48	18.48
Oconto Electric Coop	4.71	6.71	10.71
Pardeeville (Village of) Elec Util	2.44	4.44	8.44
Pioneer Power & Light Co	2.71	4.71	8.71
Princeton Mun Wtr & Elec Util	2.21	4.21	8.21
Rice Lake Mun Wtr & Elec Util	6.53	8.53	12.53
Rock Energy Coop	2.93	4.93	8.93
Sauk City Mun Wtr & Light Util	2.82	4.82	8.82
Shawano Municipal Utilities	1.34	3.34	7.34
Sheboygan Falls Utilities	2.77	4.77	8.77
Shullsburg Electric Utility	2.82	4.82	8.82
Spooner Municipal Utilities	6.55	8.55	12.55
Stratford Mun Wtr & Elec Utility	3.31	5.31	9.31
Superior Wtr Light & Pwr Co	2.53	4.53	8.53
Trempealeau Mun Elc & Wtr Util	6.78	8.78	12.78
Washington Island Cooperative	3.35	5.35	9.35
Westfield Milling & Elec Co	2.81	4.81	8.81
Wisconsin Dells Mun Elec Util	2.89	4.89	8.89
Wisconsin Electric Power Co	2.27	4.27	8.27
Wisconsin Power & Light	3.28	5.28	9.28
WPPI Energy*	4.24	6.24	10.24
Wisconsin Public Service Corp	3.74	5.74	9.74
Wisconsin Rapids WW & Light	2.73	4.73	8.73
Wonewoc Electric & Water Util	2.69	4.69	8.69
WISCONSIN TOTAL	3.55	5.55	9.57

* Aggregator

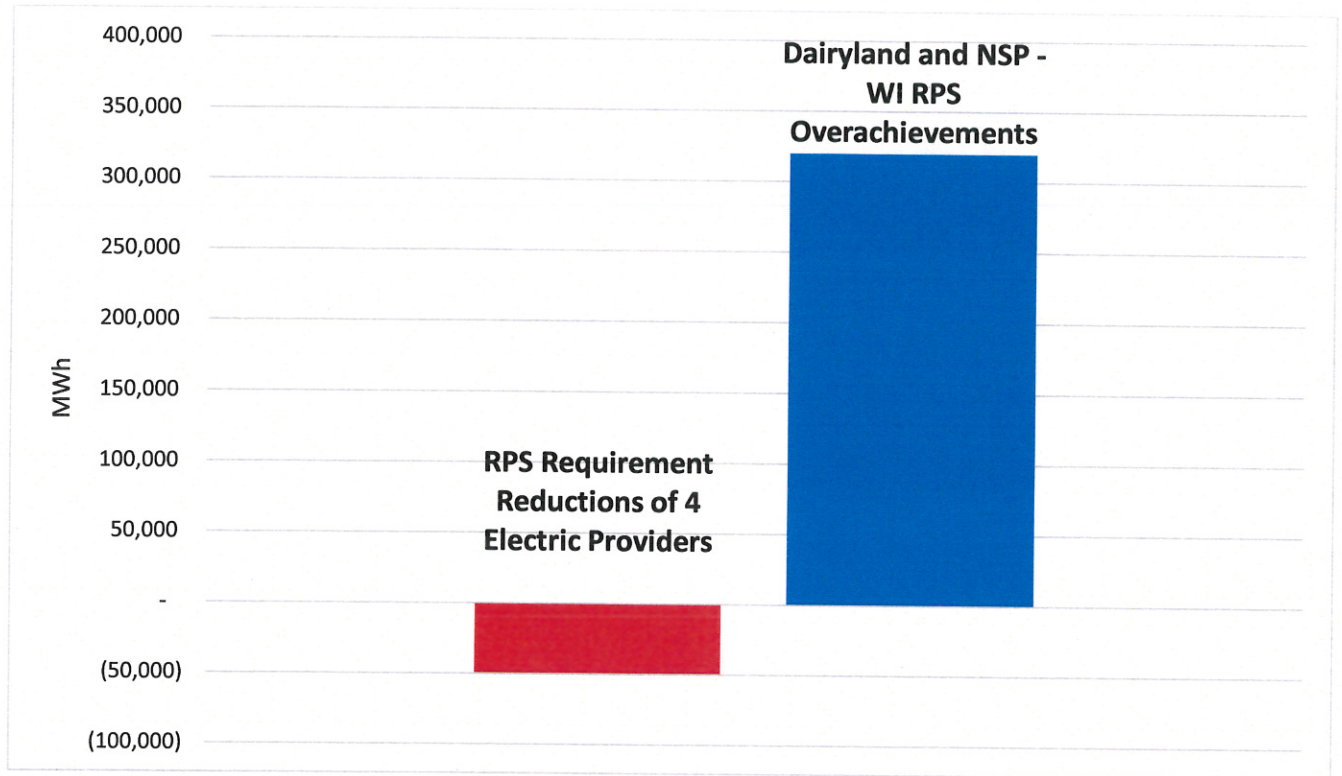
RPS PERCENTAGE REQUIREMENTS			
Alternative with Proposed Legislation			
Electric Provider or Aggregator*	Baseline	2010 RPS	2015 RPS
Adams-Columbia Electric Coop	2.92	4.92	8.92
Bangor Municipal Utility	6.62	8.62	12.62
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Wonewoc Electric & Water Util	2.69	4.69	8.69
WISCONSIN TOTAL	3.55	5.55	9.50

* Aggregator

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

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

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





WISCONSIN
PAPER COUNCIL

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

Panel of Industrial Customers:

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

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

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

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


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

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



44 East Mifflin Street • Suite 202 • Madison, Wisconsin 53703 • 608/257-3151

To: Wisconsin Legislature

From: Bill Skewes, Executive Director
Wisconsin Utilities Association 

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

Date: January 9, 2014

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

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

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

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

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