

RENEW Wisconsin Policy Brief

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Regulatory Matters

Issue: The state's Public Service Commission (PSC) has a decisive impact in determining how energy is used in Wisconsin. The PSC has review authority over all infrastructure, service policies, and rates proposed by the state's electric and natural gas utilities. Without agency approval, regulated utilities cannot build projects or change rates. The PSC has three Commissioners, which are appointed by the sitting governor in staggered six-year terms. They are: Chairperson Phil Montgomery (appointed by Governor Walker), Commissioner Ellen Nowak (appointed by Governor Walker), and Commissioner Eric Callisto (appointed by former Governor Jim Doyle).

The key PSC-controlled policy levers that influence renewable energy development are: construction cases, Focus on Energy incentives, interconnection, net metering, and customer generation tariffs (buyback rates).

In reviewing **large electricity generation projects** in Wisconsin (above 100 MW), the PSC must determine if they are in the public interest. Agency indecision and reversals in these cases have exerted a chilling effect on clean energy development in Wisconsin.

Net metering policy defines how customer-generators can use the existing electrical grid to balance renewable energy production with their loads. Inconsistent rulings resulting in regressive service terms reduce installation cost-effectiveness, confuse market actors, and restrict certain utility customers from taking full advantage of statewide incentives. Wisconsin received a C grade on net metering according to "Freeing the Grid," a national distributed energy policy scorecard.

Interconnection standards define the rules and procedures for connecting and feeding electricity from customer-sited systems to the electrical grid. Compared with neighboring states, Wisconsin's standards are technologically out-of-date, needlessly adding time, complexity and cost to the interconnection process. Wisconsin has consistently received D grades on interconnection, the lowest in the region.

Utilities have in the past offered **attractive buyback rates** for small increments of renewable electricity. Higher buyback rates are effective in incorporating positive social, environmental and economic attributes that extend beyond traditional ratepayer concerns. Not accounting for these attributes in buyback rates can make an otherwise exemplary project impossible to finance.

Focus on Energy renewable policy defines technology eligibility, allocates funds, and specifies other requirements for incentives that support customer-sited installations. Recent changes in the program have significantly reduced the allocation of support for renewable energy systems, while creating highly confusing bureaucratic and administrative requirements, which have reduced the number of projects supported compared with previous years.

2013 Update: PSC decisions in 2013 continued the pattern of diminishing policy support for renewable energy development in Wisconsin. New interconnections of customer-sited renewables declined significantly in 2013, reflecting shrinking incentive budgets and growing utility resistance to generation sources they don't own. Key decisions included:

- Delayed the 102 MW Highland Wind project, which jeopardized the project's ability to qualify for the federal tax credits that expired December 31, 2013.
- Allowed Wisconsin Public Service to make its punitive net metering service even harsher for new customer-generators. The agency's decisions clearly discount the value of clean energy exported to the grid.
- Rejected RENEW's petition to review and upgrade the state's outdated interconnection standards specified in PSC 119.
- Adopted program accounting rules that forced Focus on Energy to suspend funding for solar energy projects in September until 2014, despite receiving 630 comments from the public to continue the incentives. All told, Focus on Energy spent a mere \$2.3 million of the \$10 million budgeted for renewable energy in 2013. The arbitrary programmatic restrictions affecting solar and small wind deployment will continue through 2014.

2014 Needs: The PSC can facilitate renewable energy development in Wisconsin by promoting the following policies:

- Consistent, timely, and proactive approval of renewable energy applications that consider the full value of the renewable energy project attributes.
- A commitment to spending Focus on Energy's entire renewable energy allocation each year, elimination of evaluation criteria that arbitrarily and unnecessarily favor one class of renewable resources over another, reduction of bureaucratic hoops that creates inconsistent and confusing funding decisions. In 2014, a once-every-four-year review process will occur that can correct all of these problems.
- Fair and consistent net metering policy across utility service boundaries. RENEW recommends annual true-ups, a 100 kW capacity limit (with a higher limit for bioenergy), and prices for "surplus" electricity based on a value study. Let's improve our "C" grade!
- Review and upgrade the Interconnection standards in PSC 119 to take advantage of new and reliable technology and processes that accommodate streamlined review procedures and requirements without compromising safety. Let's improve our "D" grade!
- Open a separate docket to determine appropriate rates for distributed renewable power sources based on avoided energy, avoided transmission and distribution, time of use, environmental and economic impacts, fossil fuel price hedging value, and backup power costs