

To: Senate Select Committee on Clean Energy
Assembly Special Committee on Clean Energy Jobs

Copy: Members, Wisconsin Legislature

From: Aggregate Producers of Wisconsin
Associated Builders & Contractors of Wisconsin, Inc
Associated General Contractors of Wisconsin
Eau Claire Area Chamber of Commerce
Fond du Lac Association of Commerce
Forward Janesville, Inc.
Fox Cities Chamber of Commerce & Industry
Green Bay Area Chamber of Commerce
Heart of the Valley Chamber of Commerce
Independent Business Association of Wisconsin
La Crosse Area Chamber of Commerce
Marshfield Area Chamber of Commerce & Industry
Menomonee Falls Chamber of Commerce
Metropolitan Builders Association
Metropolitan Milwaukee Association of Commerce
Midwest Equipment Dealers Association
Midwest Food Processors Association
National Federation of Independent Businesses – Wisconsin Chapter
Oshkosh Chamber of Commerce
Racine Area Manufacturers & Commerce
Wausau Region Chamber of Commerce
West Bend Area Chamber of Commerce
Wisconsin Automobile & Truck Dealers Assn.
Wisconsin Automotive Aftermarket Association
Wisconsin Automotive Parts Association
Wisconsin Builders Association
Wisconsin Cast Metals Association
Wisconsin Economic Development Association
Wisconsin Engine Manufacturers & Distributors Alliance
Wisconsin Housing Alliance
Wisconsin Independent Businesses
Wisconsin Industrial Energy Group
Wisconsin Manufacturers & Commerce
Wisconsin Motor Carriers Association
Wisconsin Paper Council
Wisconsin Petroleum Council
Wisconsin Petroleum Marketers & Convenience Store Association
Wisconsin Potato & Vegetable Growers Assn.
Wisconsin Restaurant Association
Wisconsin Retail Council
Wisconsin Utility Investors, Inc.

Date: March 11, 2010

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

As representatives of Wisconsin’s manufacturing, agriculture, construction, transportation and economic development communities, we write to register our collective opposition to the state global warming legislation. While we support the goals of energy efficiency and renewable energy, the costly and prescriptive mandates in this legislation will significantly increase the cost of energy, and harm key sectors of our economy at a time when businesses and homeowners can least afford it.

Affordable and reliable energy is the lifeblood of our economy. Unfortunately, this legislation will lessen our economic competitiveness by increasing energy costs at a time when our electric rates have climbed faster than those of any Midwest state. Beyond hiking electric rates, these bills will increase the cost of gasoline automobiles and trucks, transportation infrastructure improvements, and commercial and home building construction projects. Imposing these burdens on struggling businesses and citizens will come at great costs while having no meaningful impact on global temperatures or greenhouse gas emissions.

Although we are encouraged that the authors appear to recognize certain policies such as the low carbon fuel and California vehicle emission standards should be removed from the bill, the most expensive and economically damaging policies would remain in the proposed legislation. Specifically, the renewable portfolio standard (RPS) and energy efficiency surtaxes will be tremendously expensive, and will result in double-digit increases for Wisconsin utility customers.

For example, the Public Service Commission of Wisconsin (PSC) concluded that meeting a 25 percent RPS would require the addition of at least 400 megawatts of new renewable generation each year until 2025, with a likely capital cost of \$2.32 million per megawatt. This adds up to a total cost of \$15 billion, without considering the billions of dollars needed to construct new transmission lines to accommodate the new generation. Recent wind project costs in Wisconsin are consistent with these projections. Thus, there is no disputing the fact that a 25 percent renewable mandate will be extraordinarily expensive for Wisconsin families and businesses.

Forcing customers to pay for new electric generation, which may be fairly characterized as a renewable energy tax, is particularly inappropriate given our state's substantial excess generation capacity. We have invested billions of dollars in recent years to improve our electric generation and transmission infrastructure, resulting in a *30.9 percent surplus of electricity*. Rather than forcing homeowners and businesses to pay for additional electricity we do not need, ratepayers should be given time to cash out the equity in investments already made.

We also have great concerns and thus oppose the new energy efficiency surtaxes on monthly energy bills. The bill gives the PSC virtually unlimited authority to set energy taxes at a level necessary to fund government spending on energy efficiency programs to reduce electric consumption by 2 percent statewide. This "tax and spend" policy approach ignores the fact that Wisconsin businesses helped drive a five-fold economy-wide increase in energy efficiency over the past four decades.

A report issued last year by the Energy Center of Wisconsin highlights the staggering cost of these new energy taxes on homeowners and businesses. Commissioned by the PSC, the study found it would cost at least \$700 million per year to fund energy efficiency programs to achieve a 1.9 percent reduction in electricity consumption – still short of the 2 percent goal. We believe, and history has shown, that businesses and homeowners have sufficient economic incentives to conserve energy without the need for \$700 million per year in stealth energy taxes on monthly electric bills.

Finally, we object to the residential and commercial building code provisions contained in this legislation, which apply to new construction. Even though Wisconsin already has stringent energy codes, these bills would, with very limited exceptions, require the adoption of an international code developed outside of Wisconsin. Moreover, the legislation eliminates the ability to consider costs and benefits associated with adopting these provisions. This approach abrogates the ability of Wisconsin policymakers to adopt codes that they believe are best for Wisconsin, and likely will hurt housing affordability by eliminating the ability to consider costs.

It is increasingly clear that the costs associated with this legislation will be enormous, and the benefits nominal. We urge the committees and the entire Legislature to reject these proposals, and instead focus on advancing policies that make Wisconsin more competitive by reducing, rather than increasing energy costs. We look forward to working with lawmakers to improve our overall business climate to provide permanent, family-supporting jobs for all sectors of our economy.