

Madison Gas & Electric's RENEWABLE ENERGY RIDER

Introduction

In response to growing demand for renewable energy among larger business and institutional customers, Madison Gas & Electric (MGE) asked the Public Service Commission (PSC) in 2016 to approve a new service called the Renewable Energy Rider (RER). This tariff is intended to provide a framework for MGE to enter into a future contract with an existing or new customer to provide dedicated renewable generation to that specific customer under a special rate. The PSC asked for changes in the tariff language to ensure that this service would be cost-neutral to nonparticipating customers. In response to the PSC's concerns, MGE submitted a revised proposal in early 2017¹. The PSC approved the service in the summer of 2017, and it is now available to qualifying customers.



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Photo courtesy of SunPeak

What are the benefits sought by purchasers of renewable energy?

MGE's RER was designed to connect larger customers with the full spectrum of value that renewable generation can offer. Growing customer interest in capturing these positive attributes spurred the recent development of renewable energy buyers' principles supported by many U.S. and multinational corporations. Among the signatories of these principles are General Motors, McDonalds, Walmart, IKEA, PepsiCo, Microsoft, Amazon, and Procter & Gamble. In designing this new service, MGE sought to affirm and incorporate the following principles:

- ✓ Greater choice in procurement options;
- ✓ Increased access to third-party financing vehicles;
- ✓ Longer-term contracts that lock in energy prices at cost-competitive levels; and,
- ✓ Access to new projects that reduce emissions beyond business as usual.

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RENEWABLE ENERGY RIDER

Who supports MGE's Renewable Energy Rider?

During the PSC's review of this proposal, several stakeholders submitted comments in favor of approving the service. Among them were the Wisconsin Industrial Energy Group, Citizens Utility Board, RENEW Wisconsin, and Target Stores. In its decision, the PSC noted that multiple electric utilities around the United States offer renewable energy tariffs similar to MGE's Renewable Energy Rider.

How is the Renewable Energy Rider structured?

MGE's Renewable Energy Rider (RER) is an example of a "sleeved" tariff. Under this type of service, qualifying business customers can purchase energy from an offsite renewable generation project either owned by MGE or an independent entity. The RER allows a customer to substitute energy from a designated renewable generation facility for the energy the customer would otherwise receive under one of the standard business tariffs that are available to MGE's customers. The terms of the energy purchase are "sleeved" through the RER, and the utility subsequently bills the customer for that electricity.

Which customers can take service under the RER?

All existing and new customers on rate schedules Cg-4, Cg-2, Cg-6, Sp-3, and Cp-1 can take service under this rider, so long as the total load under contract exceed 200 kilowatts. Based on the approved eligibility criteria, more than 4,000 customers, representing more than 68 percent of MGE's systemwide sales, can avail themselves of this program. Customers with multiple accounts may aggregate up to all of their qualifying accounts under a single service agreement with MGE. However, customers may not aggregate other customer loads with their own under this service. Renewable electricity purchased through the RER can account for up to 100% of the customer's aggregated load.

Can a customer lock in a price for the renewable electricity through the RER?

The customer would be responsible for all of the costs associated with the dedicated generation facility. Those costs can be fixed under the RER service agreement executed by the customer and MGE. The RER customer is still responsible for all other rates and charges specified in the otherwise applicable rate schedule, which may be adjusted in future rate proceedings. However, the electricity provided through the RER would be exempt from fuel cost surcharges.

How open-ended is this service?

All new customers on rate schedules Cg-4, Cg-2, Cg-6, Sp-3, and Cp-1, regardless of size, are eligible for this service. All existing customers are also eligible for this service, though the PSC set a programwide cap of 25 megawatts on existing loads. This cap represents about 5% of MGE's coincident peak forecasted for 2017. In approving the RER, the PSC expressed an open attitude on raising the cap in the future if warranted by customer demand.

What are the steps involved in requesting this type of service?

The easiest way for an interested customer to get started is to **talk to their MGE account representative**. The rep can set up a meeting between the customer and MGE staff to discuss the type of project from which the customer wishes to source its renewable energy, the amount of renewable energy necessary to meet the customer's needs, potential timing of the project and all other issues necessary to develop a RER contract.



Prepared by RENEW Wisconsin, August 2017

¹See PSC Docket No. 3270-TE-102.