OFFICIAL FILING
BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Application of Wisconsin Power and Light Company for Approval of Proposed Updates to its Parallel Generation Tariffs	6680-TE-107

SURREBUTTAL TESTIMONY OF RACHEL S. WILSON
ON BEHALF OF RENEW WISCONSIN, INC.

1 **I.   INTRODUCTION AND QUALIFICATIONS**

2 **Q.   Please state your name, title, and employer.**

3 A.   My name is Rachel Wilson and I am a Principal Associate with Synapse Energy

4 Economics, Incorporated (Synapse). My business address is 485 Massachusetts Avenue,

5 Suite 3, Cambridge, Massachusetts 02139.

6 **Q.   Are you the same Rachel Wilson that submitted direct testimony in this proceeding?**

7 A.   Yes.

8 **Q.   What is the purpose of your surrebuttal testimony?**

9 A.   My surrebuttal testimony addresses several arguments made by WPL witness Tyson

10 Cook in his rebuttal testimony. Specifically, I address the following points. First, Mr.

11 Cook argues that a long-term LMP forecast, like the one I presented in my direct

12 testimony, is inherently uncertain and thus should not be the basis for WPL's avoided

13 cost because it would expose the utility's customers to market risk. (Rebuttal-WPL-

14 Cook-12). Second, Mr. Cook critiques my modeling approach as being flawed because it

15 does not recognize the impact that new generation has on LMPs, particularly zero-

16 variable cost renewables. (Rebuttal-WPL-Cook-12). Mr. Cook further critiques my

1		approach, arguing that I have erroneously excluded forecasts of future distributed
2		generation resources in Wisconsin from my model, which artificially inflates my LMP
3		forecast. (Rebuttal-WPL-Cook-13).
4	**Q.**	**At a high level, what is your reaction to Mr. Cook's critiques?**
5	A.	In my opinion, Mr. Cook misrepresents the meaning of "avoided cost." He recommends
6		using the short-term LMP forecast, which is acceptable in an early year in which there
7		have not yet been any distributed resources added to the system. By definition, avoided
8		cost is the incremental cost of electric energy or capacity which, but for the purchase
9		from the qualifying facility, a utility would generate itself or purchase from another
10		source. WPL's short-term approach thereby incorporates the price-lowering effect that
11		additional distributed generation can and does have, and thus does not compensate these
12		facilities in accordance with PURPA requirements.
13	**II.**	**RESPONSE TO REBUTTAL TESTIMONY OF WPL WITNESS COOK**
14	**Q.**	**In his rebuttal testimony, Mr. Cook objects to your recommendation that WPL use**
15		**a long-term forecast to set the avoided energy value for resources under contract**
16		**because a long-term forecast of LMPs is "bound to be inaccurate." (Rebuttal-WPL-**
17		**Cook-11). How do you respond?**
18	A.	Calculation of avoided cost requires some projection of LMPs into the future. The most
19		rigorous way to make such a projection is through the use of a capacity expansion and
20		production cost simulation model, as I have done. There are multiple variables in this
21		type of long-term model that would be subject to uncertainty, but my analysis uses
22		conservative assumptions that result in LMPs that stay relatively flat over the analysis
23		period.

| 1 | Q. | **Do you have anything further to add regarding the uncertainty associated with long-term forecasting?** |

1   Q.   **Do you have anything further to add regarding the uncertainty associated with**

2   **long-term forecasting?**

3   A.   As documented in my direct testimony, my forecast of LMPs uses stable gas prices that

4   remain relatively low, conservative assumptions about load growth, and costs for future

5   renewable and storage resources that trend downward over time. All of these factors have

6   the effect of keeping future market prices from rising dramatically over the analysis

7   period. However, as Mr. Kell notes in his surrebuttal testimony, the Commission could

8   mitigate risk associated with the long-term forecast by creating guardrails of some sort,

9   i.e. a maximum rate of increase, that would protect customers.

10   Q.   **Mr. Cook further criticizes your analysis and recommendations because he asserts it**

11   **"does not recognize the impact of new generation in the market" on energy prices.**

12   **(Rebuttal-WPL-Cook-13). How do you respond?**

13   A.   Mr. Cook is incorrect. A considerable amount of renewables and storage are selected in

14   future years in my EnCompass analysis, which drives LMPs below what they would

15   otherwise be in the absence of such generators.

16   Q.   **Mr. Cook also asserts that your "but for" approach distorts the market by**

17   **eliminating distributed resources from your model that might be reasonably**

18   **expected to exist. (Rebuttal-WPL-Cook-13)**

19   A.   My model does not include incremental distributed generators in Wisconsin, as Mr. Cook

20   points out, because that is exactly how to determine avoided cost – through the creation

21   of the counterfactual case. Mr. Cook proposes to use the annual costs in the fuel docket;

22   however, by definition these are not "avoided costs," but rather the current energy costs.

23   The "avoided" element is missing.

1   Mr. Cook agrees with me that the addition of these resources can and do lower the

2   market price for energy. To the extent that this occurs, all Wisconsin customers

3   experience rate benefits from these lower energy prices.

4   **Q.   Does anything in the direct and rebuttal testimony submitted by other parties in this**

5   **proceeding cause you to change the recommendations you made in your direct**

6   **testimony?**

7   A.   No.

8   **Q.   Does this conclude your testimony?**

9   A.   Yes, it does.