RENEW WISCONSIN

Mr. Cru Stubley
Secretary to the Commission
Public Service Commission of Wisconsin
4822 Madison Yards Way
P.O. Box 7854
Madison, WI 53707-7854

March 1, 2023

RE: Docket 5-TE-101

Joint Application of Wisconsin Electric Power Company and Wisconsin Public Service Corporation for Approval of Modifications to the Solar Now and Dedicated Renewable Energy Resource Pilot Tariffs and Approval of the Renewable Pathway Pilot Tariff and Deferral Requests

Dear Mr. Stubley:

RENEW Wisconsin (RENEW) appreciates the opportunity to comment on the Public Service Commission (Commission) staff memorandum in the docket referenced above (PSC REF# 458457). This docket concerns the Joint Application of Wisconsin Electric Power Company (WEPCO) and Wisconsin Public Service Corporation (WPSC), together referred to as "Joint Applicants," for approval of modifications to existing customer-supported renewable resource programs, as well as the creation of a new program in the distributed renewable generation space. These programs include Solar Now, the Dedicated Renewable Energy Resource Pilot (DRER), and the Renewable Pathway Pilot (Renewable Pathway).

Introduction & Summary

Looking at the sum total of these voluntary services that the WEC Energy utilities propose to offer, we are troubled by the fact that none of these platforms provides residential or small commercial customers with opportunities to access renewable electricity from utility-owned generation. Instead, these services are structured to serve C&I customers only. Whether intended or not, residential and small commercial customers are systematically excluded from participating in these services. We believe the Commission has an affirmative obligation to address and correct the exclusionary nature of these offerings.

Solar Now Programs

RENEW Wisconsin is dedicated to accelerating the transition to renewable energy and strongly supports the deployment of solar power. Through its Solar Now program, WEPCO has installed nearly 35 megawatts (MW) of new solar capacity hosted by its customers. However, as we contemplate the expansion of the program and the creation of a companion program in WPS territory, we must consider the relationship between Solar Now and the private solar marketplace as well as the program's effectiveness in leveraging new renewable capacity. The distributed generation solar marketplace is more competitive today than when this program was established in 2019. RENEW is committed to ensuring a level playing field for all solar energy providers and unrestricted access to all solar options ordinarily available to a utility's customer base. We remain concerned about the competitive advantage that a vertically integrated monopoly provider brings to this picture, namely, control over a customer-generator's access to the grid.

When evaluating a Wisconsin Power and Light (WPL) customer-hosted renewables pilot in 2019, Chair Valcq dissented from the approval outlining this same concern. The Chair noted, "we are seeing an influx of programs, which, in an attempt to increase rate base, threaten to undermine the customer-owned generation model." Chair Valcq further explained that customer-owned behind-the-meter generation is not a threat to regulation. Most importantly, the Chair noted that there is "no need to attempt to stifle growth in the renewables market when there is plenty of room for everyone." We applaud the Chair's pledge to "ensure utilities are not using their monopoly franchise to elbow out legitimate players in a competitive market, as that is a threat to consumers and self-generation market participants." (PSC REF# 372550)[1]

Solar Industry Members & Customer Perspectives

RENEW has solar industry members who have benefitted from the work of installing the nearly 35 MW of distributed solar leveraged under this program. However, we also have solar industry companies and members of our organization who are concerned about the utility monopoly advantage of these programs. Programs like these have the potential to stifle distributed solar growth if utilities are able to edge out the legitimate competition in Wisconsin's growing distributed solar market. RENEW noted the risk that the approval of the Solar Now program might encourage other regulated monopolies to propose similar programs. WPL, in fact, received Commission authorization for a customer-hosted solar pilot. In this docket, the Commission should carefully consider the trend of replicating and expanding this type of program (PSC REF# 372550).

As a practical matter, a program like Solar Now may enable customers with certain limitations to participate in the distributed solar marketplace. Examples of these customers include 1) customers with ample roof or ground space but minimal electric load, 2) customers with brownfield sites, and 3) customers that lack upfront financing. For customers with these

[1] Application of Wisconsin Power and Light Company, as an Electric Public Utility, to Update its Renewable Energy Tariff 6680-TE-104.

attributes, Solar Now's leasing option may provide a pathway to host a solar system and claim the associated Renewable Energy Credits (RECs).

Notably, 67% or 16 of the 24 Solar Now solar systems are located with nonprofit or governmental entities. Historically, those entities faced higher financing barriers, and their nonprofit status prevented them from monetizing the tax credits that for-profit entities rely on. Since Solar Now's launch four years ago, policy developments have eliminated this tax credit disparity between for-profit and nonprofit entities. The Inflation Reduction Act, enacted in 2022, allows nonprofit and governmental entities to access those same tax credits through a direct pay mechanism. With that provision in place, nonprofits can monetize the federal Investment Tax Credit and reap the same economic benefits from onsite solar that for-profit entities have enjoyed for over a decade.

Solar Now Costs

The Commission staff memorandum compares the costs of the Solar Now program with those of utility-scale solar. (PSC REF# 458457). The Joint Applicants found that "utility scale solar has approximately a one percent (WPSC) or three percent (WEPCO) lower revenue requirement than an equivalent Solar Now program."

As the Commission weighs the cost considerations for Solar Now, it's worth noting that Solar Now's costs include a revenue requirement, providing a guaranteed return on equity, unlike a competitive market. We believe it is appropriate and necessary for utilities to lead, build, operate, and maintain large-scale renewable projects. However, when utilities directly compete with small, privately owned businesses, they can leverage rate-based assets with a guaranteed return on equity. If Solar Now assets are uneconomic or even fail, all ratepayers are on the hook. On the other hand, solar installers must operate in a competitive environment and face direct risk without ratepayers picking up the bill. There is also the potential that the Solar Now program ultimately offers a more expensive distributed solar product than a competitive market would otherwise provide. At the same time, Joint Applicants still fail to offer proven programs to residential and small commercial customers like community solar.

While Solar Now is a voluntary, subscription-based program, its design definitely impacts nonparticipating ratepayers. This is because Solar Now's assets are rate-based, and that program costs are assigned to the utility's entire customer base. Ratepayers pay for the entire revenue requirement of the assets, including return on equity and host payments. The host customer then receives lease payments that originate from the rate base. What is additionally odd is that a host also has the option to buy RECs associated with the asset as a reduction in host payments. That option allows the host to claim that it was powered by solar energy from the asset, even though all ratepayers paid for the asset and all the energy was distributed on the grid. In this example, ratepayers have paid for a 'null power' asset. The utility and ratepayers then cannot claim the asset is solar or that it causes carbon reductions for the utility because only the host who has purchased the RECs can make that claim. By stripping away RECs from the asset owner (and effectively ratepayers who paid for and received the energy), much complexity and potential for double counting is introduced. More analysis on null power and problems associated with RECs and carbon reduction claims can be found in our Renewable Pathway section below.

Solar Now Alternatives

Community solar is a program alternative that could be made available to a larger group of customers, including renters and other residential customers, businesses with limited land or rooftop space, and low-income customers. Community solar has proven successful nationwide and among several other regulated Wisconsin utilities. Yet customers in WEC Energy utility territories lack access to this basic service. RENEW strongly encourages the Commission to require the offer of a viable, fair community solar offering before considering any expansion of the Solar Now program. Not only is Solar Now a more expensive platform than utility-scale solar, it is designed to exclude participation from a large portion of WEPCO's customer base.

In developing or modifying future renewable offerings to customers, Joint Applicants should prioritize program accessibility to all its customer classes, significantly smaller commercial and residential customers with zero access to customer-supported solar generation offsite.

Solar Now Capacity Accreditation

The Commission staff memorandum also discusses the treatment of MidContinent Independent System Operator (MISO) capacity accreditation under the Solar Now program design. On pages 6 and 7, the memorandum states that if MISO's accreditation methodology changes, so will the basis of capacity-based payments under the Solar Now under the program's original design. The memorandum then offers a number of alternatives to modify the Solar Now program design, including one to allow the capacity accreditation methodology to be locked in upon signing a contract. The memorandum also notes that the applicants would not oppose a modification to fix the capacity accreditation methodology. RENEW supports fixing the capacity accreditation methodology because it provides more certainty for customers entering these contracts.

It should be noted that this position mirrors the position taken in WEPCO's and WPSC's recent parallel generation dockets.[2] RENEW proposed that, for front-of-the-meter (FTM)

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[2] See WEPCO docket 6630-TE-107 and WPSC docket 6690-TE-114.

resources under contract, the contract should lock in the capacity accreditation methodology currently used by MISO at the time of signing throughout the duration of the contract. The Commission rejected RENEW's proposal in deference to the utilities' preferred approach to allow capacity accreditation methodology to float and vary along with any MISO changes in the future despite the long-term contractual agreement. In relation to equitable treatment across a utility's tariff offerings, if the Commission modifies WEPCO's Solar Now to lock in capacity accreditation in contracts, the Commission must also modify WEPCO's and WPSC's FTM parallel generation tariffs to reflect this contract term. These new FTM tariff options were authorized by the Commission last year, but it is RENEW's understanding that these tariffs have yet to be fully implemented by the utilities and offered to customers to sign contracts. For WEPCO, the FTM tariff is called 'Customer Generating Systems – Direct Sale Fixed Price' (CGS-DS-FP) and for WPSC, the FTM tariff is called 'Parallel Generation – Purchase by WPSC' (PG-2A).

Commission Alternatives – Solar Now – WEPCO – Capacity Accreditation Methodology

RENEW supports Alternative Two. The Commission should modify the Solar Now tariff language to fix the capacity accreditation methodology for customers through the term of the service agreement.

Additionally, the Commission should also modify WEPCO's CGS-DS-FP tariff, and WPSC's PG-2A tariff, to fix capacity accreditation throughout the term of the contract agreement under those tariffs.

Commission Alternatives – Solar Now – WEPCO – Program Expansion

RENEW supports Alternative Three. We urge the Commission to deny WEPCO's request to expand its Solar Now program from 35 MW to 60 MW, for several reasons. First, the applicant has failed to propose policy-based guard rails that would ensure the ability of customers to pursue onsite solar options free and clear of any utility efforts to steer those customers toward becoming Solar Now hosts. Second, as noted above, Solar Now is a more expensive development platform than utility-scale solar or privately-owned distributed solar. Finally, Solar Now, like the other tariffed services under review in this proceeding, is not structured to serve either residential or small commercial customers. RENEW believes that utilities can and should offer solar services similar in concept to MGE's Shared Solar or Xcel's Solar*Connect Community programs. These two programs engage the entire customer base, not just commercial and industrial customers who have attractive hosting attributes. Moving in that direction would enable the utility to evaluate its entire distribution area for suitable locations for offsite solar arrays instead of a handful of properties owned by large customers.

Commission Alternatives – Solar Now – WPSC – Capacity Accreditation Methodology

RENEW supports Alternative Two. The Commission should modify the Solar Now tariff language to fix the capacity accreditation methodology for customers through the term of the service agreement.

Additionally, the Commission should also modify WEPCO's CGS-DS-FP tariff, and WPSC's PG-2A tariff, to fix capacity accreditation throughout the term of the contract agreement under those tariffs.

Commission Alternatives – Solar Now – WPSC – Request to Implement Program

RENEW supports Alternative Three. We urge the Commission to deny WPSC's request to implement a companion Solar Now program in its territory for several reasons. First, the applicant has failed to propose policy-based guard rails that would ensure the ability of customers to pursue onsite solar options free and clear of any utility efforts to steer those customers toward becoming Solar Now hosts. Second, as noted above, Solar Now is a more expensive development platform than either utility-scale solar or privately-owned distributed solar generation. Finally, Solar Now, like the other tariffed services under review in this proceeding, is not structured to serve either residential or small commercial customers. RENEW believes that utilities can and should offer solar services, similar in concept to MGE's Shared Solar and Xcel Energy's Solar*Connect Community programs. These two programs engage the entire customer base, not just commercial and industrial customers who have attractive hosting attributes. Moving in that direction would enable the utility to evaluate its entire distribution area for suitable locations for offsite solar arrays instead of a handful of properties owned by large customers.

Dedicated Renewable Energy Resource Program (DRER)

DRER Program Design

The Commission must consider proposed revisions to WEPCO's DRER program in relation to Joint Applicants' newly authorized Renewable Energy Rider (RER) programs. While both of these programs are renewable riders, only one program likely has a future with the Applicants. Since its approval more than four years ago, WEPCO has had no success in attracting so much as a single customer to purchase renewable power through its DRER program, even though RENEW is aware of a number of larger WEPCO customers who are actively looking to procure solar generation from offsite sources. As the Commission memorandum points out on page 12, customers are confused about how credits are implemented in relation to complex MISO wholesale market prices and references (PSC REF# 458457). The expectation of fluctuating market prices over a 20-year period that determines participation benefits, combined with the fixed costs required by participation, will likely continue to make participation in DRER a risky and economically unattractive option. Tellingly, while the utility proposes to downsize its DRER offering, the application is bereft of any provision that aims to improve the marketability of that pilot. It is reasonable to assume that a downsized program would be no more effective in enticing customers to participate than the current program featuring the same compensation formula. Therefore, the Commission should focus on expanding Joint Applicants' RER programs to allow commercial customers to participate instead of trying to extend the life of the moribund DRER program.

The RER model is a more attractive option for customers because the power purchase price is fixed over the duration of the contract. Under a standard RER contract, the customer pays for the cost of developing a new source of clean generation under a long-term price schedule that is acceptable to that customer. The RER model creates a collaborative environment between a utility and its customers, and is probably the best example of a utility program meeting medium-to-large customer demands for clean energy resources. Madison Gas and Electric (MGE) has successfully contracted with customers through its own RER service, and RENEW expects that WEPCO and WPSC will eventually succeed with their RER programs if they follow the best practices established by MGE. Importantly, RENEW notes that almost all participation in MGE's RER program currently involves the aggregation of multiple facilities owned by one customer. Participation under MGE's RER predominantly comes from local and state governments, schools, universities, and medium-sized businesses. Unfortunately, the RER programs approved in the WEC Energy utility rate cases last year only allow industrial customers to participate.

As a result, the Commission should focus on sunsetting the hapless DRER program and expand the more robust RER programs to allow WEPCO and WPSC commercial customer participation. The Commission has the authority to modify the Applicant's RER programs as an order condition with its final decision in this proceeding. RENEW expects that if given the choice between the DRER and RER, commercial customers will prefer the contract certainty and renewable resource additionality options offered by the RER programs. If this is true, and there continues to be no participation in WEPCO's DRER program through 2024, it is reasonable to close the DRER tariff and let it sunset by 2025.

The DRER program could generate 'additionality' issues if WEPCO follows through on plans to leverage rate-based renewable resources for customer participation. Since no customers have subscribed to the DRER, there is no historical participation reference here. However, in its initial application, WEPCO implied that rate-based assets could be leveraged for the DRER program. Additionality will be further discussed below in the Renewable Pathway section. As proposed by Joint Applicants, the Renewable Pathway programs as proposed would leverage existing rate-based assets, and not result in the development of additional renewable resources.

DRER Capacity Accreditation

The Commission staff memorandum also discusses the treatment of MISO capacity accreditation under the DRER program design. On page 13 of the memorandum, Commission staff describe that if MISO's accreditation methodology changes, so will the basis of capacity-based payments under the DRER under the program's original design. Commission staff then offer the Commissioners alternatives to modify the DRER program design to allow the capacity accreditation methodology to be locked in upon contract signing.

RENEW would like to point out that this was RENEW's position in WEPCO's and WPSC's recent parallel generation dockets.[3] RENEW proposed that, for FTM resources under contract, the contract should lock in the capacity accreditation methodology currently used by MISO at the time of signing throughout the duration of the contract. The Commission rejected RENEW's proposal in deference to the utilities' preferred approach to allow capacity accreditation methodology to float and vary along with any MISO changes in the future despite the long-term contractual agreement. In relation to equitable treatment across a utility's tariff offerings, if the Commission modifies WEPCO's DRER to lock in capacity accreditation in contracts, the Commission must also modify WEPCO's and WPSC's FTM parallel generation tariffs to reflect this contract term. These new FTM tariff options were authorized by the Commission last year, but it is RENEW's understanding that these tariffs have yet to be fully implemented by the utilities and offered to customers to sign contracts. For WEPCO, the FTM tariff is called 'Customer Generating Systems – Direct Sale – Fixed Price' (CGS-DS-FP) and for WPSC, the FTM tariff is called 'Parallel Generation – Purchase by WPSC' (PG-2A).

Commission Alternatives – DRER – WEPCO – Capacity Accreditation Methodology

RENEW supports Alternative Two with additional modifications. The Commission should modify the DRER tariff language to fix the capacity accreditation methodology for customers through the term of the DRER service agreement. Additionally, the Commission

[3] See WEPCO docket 6630-TE-107 and WPSC docket 6690-TE-114.

should also modify WEPCO's CGS-DS-FP tariff, and WPSC's PG-2A tariff, to fix capacity accreditation throughout the term of the contract agreement under those tariffs.

Commission Alternatives – DRER – WEPCO – Program Reduction

RENEW supports Alternative Two to approve the proposed DRER program reduction as filed, with specific additional modifications to 1) extend Joint Applicants' RER programs offerings to commercial customers (as is the case with MGE commercial customers), and 2) sunset the DRER program by 2025 if there continues to be no participation.

Renewable Pathway Pilot Programs (Renewable Pathway)

As proposed by Joint Applicants, the Renewable Pathway programs are problematic for two reasons: the programs as designed 1) do not support 'additionality' (as explained below), and instead 2) undermine REC integrity and create carbon reduction claim problems. In short, the Renewable Pathway programs are glorified REC contracts that leverage existing, rate-based renewable resources and cause confusion as to who paid for what developments, who bought and sold renewable energy, and who is entitled to claim what in terms of carbon reductions. Instead of authorizing the proposed Renewable Pathway programs, the Commission should extend the existing RER programs to include WEPCO's and WPSC's commercial customers, as discussed above in RENEW's DRER comments. Further, the Commission should make it clear that it will not support, as a matter of policy, any customer offering that mixes already approved, rate-based generation in a voluntary, customer-supported program that purports to advance clean energy development.

As designed by Joint Applicants, the Renewable Pathway programs do not cause the development of new renewable resources, but instead, leverage existing renewable resources, either already in-service or under development. Although Joint Applicants do not list which renewable resources would be leveraged for these programs in their application materials, in response to a data request by Commission staff (JMS-1.8.c) the Applicants identify Paris Solar, Darien Solar, and Red Barn Wind resources as potential resources (PSC REF# 450006). Assuming all final authorizations by the Commission, the cost of constructing and operating these renewable facilities will be borne by all WEPCO's and WPSC's retail customers, as these are rate-based assets that are being built regardless of Renewable Pathway participation. This creates an 'additionality' problem even if only a portion of these resources are subscribed by Renewable Pathway participants.[4] Although Joint Applicants could choose to sell RECs associated with these resources, the purchasers of those RECs cannot truly say that they caused these resources to be built. Beyond the additionality question, stripping away the RECs from these rate-based facilities would create other issues relating to claims regarding environmental attributes. The primary benefit of purchasing RECs is the right to claim all environmental attributes associated with those RECs. As a consequence of this transaction, REC sellers give up the right to claim the environmental attributes associated with that increment of renewable generation, even if they own the generating asset from which the RECs were derived.

An illustrative example would be if WEPCO sold RECs associated with one year's production from the Paris Solar project to 'Company A'. Once Company A buys those RECs (and ultimately 'retires' those RECs), it can legitimately claim that it was powered with renewable energy from Paris Solar during that year. With that purchase, Company A can also

[4] According to the Green-e Glossary, the description of 'Additionality' is as follows:
A criterion applied to greenhouse gas (GHG) projects stipulating that project-based GHG reductions may only be quantified if the project or project activity "would not have happened anyway".

claim all environmental attributes from Paris Solar, such as carbon emission reductions, over the course of that year. As a consequence of this transaction, WEPCO gave up its right to claim that the Paris generating facility is a renewable energy resource in any of its marketing materials. From WEPCO's perspective, Paris becomes a 'null power' facility,[5] and its environmental attributes become indistinguishable from the overall generating profile of the surrounding grid, reflecting all of the fossil fueled generation sources that feed power into it. Likewise, and in proportion to Company A's claim, WEPCO (and its retail ratepayers) must somehow acknowledge that its carbon footprint has been increased in order to prevent the double-counting of those environmental attributes represented by that REC purchase. The Commission should be wary of sanctioning any arrangement that hinges on the transfer of RECs from a rate-based asset built to serve all ratepayers to a small subset of self-selecting subscribers.

As it relates specifically to this docket, if WEPCO were to sell one-half of the RECs associated with Paris's output to Renewable Pathway participants, the company would need to label one-half of Paris's output as 'solar' and the other half as 'null power'. This is likely to confuse its retail customers, and WEPCO would need to navigate this nuance carefully in its marketing materials. Additionally, WEPCO's reporting to government agencies would need to reflect the loss of environmental attributes whenever it sells RECs from rate-based generation assets.

For the purposes of financial accounting, carbon accounting, marketing, and additionality, it only makes sense to completely separate rate-based renewable resources from

[5] According to Green-e's Glossary, the description of 'Null Electricity (or Power)' is as follow: The underlying power remaining when the RECs have been stripped off and sold elsewhere. Null power is not renewable but is the unspecified and undifferentiated power that has the attributes of the overall system mix or the residual mix where specified power purchases have been removed.

resources serving a voluntary subscription program. Resources should be 100% dedicated one way or the other. In the early days of renewable programs, it was easy for utilities to implement 'green pricing' programs that essentially sold excess RECs to customers. However, green pricing premium programs have lost their appeal in today's market, as customers seek to decarbonize their operations. Often, customers are now looking for new generation resources tailored to meet their specific sustainability and carbon reduction goals. The proposed Renewable Pathway programs do not meet these criteria and should be rejected by the Commission. Instead, the new RER programs should be available to commercial and industrial customers, and community solar programs should be established to serve Joint Applicants' residential and small commercial customers. Though it is possible to design a REC-based service that relies on a separate pool of new renewable resources leveraged by a growing base of customer subscriptions, Joint Applicant's Renewable Pathway proposals fall well short in that regard and thus deserve rejection. Joint Applicants would do well to start over from scratch and design a program that actually supports additional renewable generation for its customers instead of diluting its existing portfolio through REC sales.

Commission Alternatives – Customer Notifications of Renewals, Terminations, and Transfers

RENEW does not support any of the Alternatives in this section. None of terms related to renewals, terminations, and transfers address the additionality and REC integrity problems associated with the proposed Renewable Pathway programs.

Commission Alternatives – Waiver Provisions

RENEW does not support any of the Alternatives in this section. None of the waiver provisions address the additionality and REC integrity problems associated with the proposed Renewable Pathway programs.

Commission Alternatives – WEPCO Renewable Pathway Pilot Program

RENEW supports Alternative Three to deny WEPCO's proposed Renewable Pathway program. The Commission should instead order the extension of WEPCO's existing RER program to its commercial customer classes.

Commission Alternatives – WPSC Renewable Pathway Pilot Program

RENEW supports Alternative Three to deny WPSC's proposed Renewable Pathway program. The Commission should instead order the extension of WPSC's existing RER program to its commercial customer classes.

Conclusion

RENEW appreciates the opportunity to weigh in on 5-TE-101. These renewable energy program offerings reflect the growing demand from customers for meaningful distributed renewable energy options. Consistent fixed capacity accreditation for the proposed programs will increase the appeal of these programs to customers and further standardize the playing field for FTM and behind-the-meter generators. RENEW urges the Commission to adopt the recommended alternatives, as described above. These decisions will support fair, consistent, and additional renewable development to benefit all utility customers.

Sincerely,

Samuel J. Dunaiski
Executive Director

RENEW Wisconsin
214 N. Hamilton St., Suite 300
Madison, WI 53703
608-255-4044
E-mail: sam@renewwisconsin.org