

GWTF Meeting, 4.4.08 WPPI

Among those in attendance – Tia Nelson (BCPL), Roy Thilly (WPPI), Forrest Ceel (IBEW), Jeff Crawford (FCPC), Frank Ericson, (SC Johnson), Kristine Euclide (MGE), Sally Feistel (USW), Charlie Higley (CUB), Steve Hiniker (1000 Friends), Todd Holschbach (TNC), Waylon Hurlburt (Rep. Phil Montgomery’s office), Margi Kindig (Citizen), Kris Krause (We Energies), Kathy Lipp (Alliant), Bruce Nilles (Sierra Club), Bill Oemichen (WFC), John Pearse (GM), Jonathan Pershing (WRI), Annabeth Reitter (NewPage), Keith Reopelle (Clean Wisconsin), Charlie Schrock (WPS), Susan Stratton (ECW), Michael Swenson (Xcel), John Vrieze (DBA), Lynn Wilson (Plum Creek), Eric Callisto (PSC), Lisa Stefanik (PSC), Lori Sakk (PSC), Dennis Koepke (PSC), John Shenot (PSC), Matt Frank (DNR), Mary Ellen Vollbrecht (DNR), Caroline Garber (DNR), Ed Jepsen (DNR), Nick Sayen (DNR), Matt Krumenauer (DNR), Gary Radloff (DATCP), Peter Taglia (Clean Wisconsin), Andy Kellen (WPPI), Tom Smies (WPS), John Clancy (FCPC), Bill McClenahan (FCPC), Nina Plaushin (WPPI), David Donovan (Xcel), Caryl Terrell (Sierra Club), Rosemary Wehnes (Sierra Club), Scott Manley (WMC), Ed Wilusz (WPC), Rick Kuester (We Energies), Jonathan Ela (NRB), Jim Boullion (AGC), Pam Porter, Dawn Becher, Steven Welcenbach

via teleconference: Glen Wood (ICF), John Larsen (WRI)

Welcome / Announcements:

- PSC opened 5 dockets yesterday initiating investigations in response to recommendations included in the Task Force’s Interim Report: 1) Great Lakes wind study; 2) Geologic carbon sequestration study; 3) Alternative rate designs for demand response and load management; 4) Enhanced energy efficiency and conservation programs; and 5) Innovative rate designs to remove disincentives that discourage utilities from implementing or supporting conservation and efficiency programs. PSC will pursue these investigations through some sort of workgroup process to be designed over the next 2 weeks (roughly).

MGA Update: Eric Callisto

- Refer to handouts and links available on the Wisconsin Task Force on Global Warming web site. Additional information is available from a new website, www.midwesternaccord.org.
- MGA’s Greenhouse Gas Accord Advisory Group has 31 people including 5 Wisconsin representatives. They have a very aggressive timetable including complete development of a model cap & trade rule by November 2008. Work has been divided up among 5 subgroups. Eric Callisto will chair the subgroup on allowance distribution.
- Task Force members should let Eric Callisto know if they are interested in attending meetings as an observer.
- MGA has also formed Advisory Groups to work on the Energy Security & Climate Stewardship platform. This platform is separate from the Greenhouse Gas Accord but also an important energy policy effort with global warming implications.

Discussion of Policy Template Clean-up Project; Proposed Process and Schedule to Complete Task Force’s Work; Report on March 19 Public Input:

- A process has begun for “cleaning up” the policy templates developed by the workgroups. It begins with a simple editing and formatting process that is needed because the templates

were drafted by many different people. PSC and DNR staff will create edited redline copies of the templates. Workgroup chairs will review those to make sure the edits don't change the intent of the template and won't upset any consensus reached by the workgroup. DNR and PSC will also identify issues where the templates may lack clarity and ask the chairs to clarify those issues. If areas are found where it might be productive to combine templates DNR and PSC staff will point that out but won't take action without the approval of the affected workgroup chairs.

- The template cleanup process will happen "offline" over the next month. The full Task Force will only be involved if significant issues come up. Final versions of all templates will be posted on the Wisconsin Task Force on Global Warming web site.
- Later on today's agenda, workgroup chairs will report on any instances where workgroup members have unresolved differences of opinion on a proposed policy or specific portions of a proposed policy. The Task Force will discuss these differences at future meetings. The Task Force co-chairs will set the agenda for the next few meetings based on the issues raised, starting with issues where modeling results are not crucial for the discussion of differences. The full Task Force will try to achieve as much consensus as possible, then the co-chairs will propose a straw man for resolving issues as a package, rather than point by point.
- Roy Thilly clarified that any policy discussed by a workgroup can be brought to the Task Force for consideration, even if the workgroup did not agree on the policy. Any such policies need to be identified now and must be sponsored by a Task Force member. Those policies that garnered workgroup consensus will be an easier "sell."
- Comments received at the March 19 Public Input Session have been posted on the Wisconsin Task Force on Global Warming web site. Task Force members were urged by the co-chairs to review and consider those comments.

Discussion of Emission Reduction Goal Setting Issues and Process: Jonathan Pershing

- A copy of Mr. Pershing's presentation is available on the Wisconsin Task Force on Global Warming web site. These notes supplement but do not summarize the presentation.
- This Task Force has been charged by the Governor with identifying short- and long-term goals for emission reductions that are proportionate to Wisconsin's share of the worldwide reductions needed to minimize global warming impacts. There may be different ways to consider "proportionate."
- Typically, emission reduction targets are set by identifying an atmospheric CO₂ concentration that is considered acceptable, then back calculating to determine the level of emissions that is allowable. Wisconsin's decisions may be informed or influenced by decisions made in other states or in federal bills.
- All data sources have limitations and none will fully answer the questions. Policy choices will be informed by indicative (not predictive) results of modeling.
- At the federal level, and perhaps in Wisconsin too, final policy decisions will be influenced not just by science but also by the need for votes to pass legislation. Long-term targets can be easier than short- or medium-term targets.
- In response to questions, Jonathan Pershing clarified a few key points:
 - Selecting a baseline year –The baseline year and the percentage reduction in CO₂ emissions must be viewed together to ensure the end result reaches the desired CO₂ emission levels. For any baseline year selected, the percentage reduction can be

adjusted accordingly to make it work. Different sectors will see advantages or disadvantages to proposed baseline years, so the selection is a political decision. None of the programs and proposals developed in other jurisdictions (states, federal bills) have used a future year as the baseline because doing so encourages gaming of the system.

- Wisconsin's share of U.S. emissions is just about at the average level for states. Therefore, Wisconsin's need to reduce should mirror the total U.S. need.
- Risks and benefits of early action – Other jurisdictions have approached the question of early action by thinking about whether to “hedge their bets” by being more aggressive early; whether to use a risk assessment approach to determine an appropriate response; whether certain policy options will only be feasible in the future if other policy options are adopted today (“path dependency”), etc. Historically in pollution programs, technology costs have come down over time. This would lead some to argue that focusing in the near term on technology development instead of early reductions might ultimately be more cost effective. However, the science shows abrupt, rather than gradual, shifts in global climate are occurring and we don't know what threshold value of CO₂ concentration might trigger further changes. This argues in favor of early reductions. The Task Force needs to weigh all of these considerations.
- Roy Thilly clarified that although scientific conclusions inform the target setting process, the Task Force is not charged with investigating or debating the science of global warming.
- The Task Force co-chairs asked the Technical Advisory Group (TAG) to make a recommendation on the baseline year that the Task Force should use for identifying goals, and to then assist in evaluating different goal proposals. They also suggested that a more recent baseline than 1990 is likely to provide more comfort in terms of data validity.

Presentation of Initial Policy Runs: Kris Krause, John Larsen, and Glen Wood

- TAG co-chair Kris Krause presented the TAG's overall plan for modeling various policy scenarios. A handout and a copy of Ms. Krause's presentation are available on the Wisconsin Task Force on Global Warming web site. In response to numerous questions, Krause clarified a few points about the modeling scenarios:
 - The models are proprietary and Task Force members won't be able to look at the logic models. Assumptions of the models are documented.
 - Scenario 5, the “high fuel price” scenario, assumes that fuel prices will be 25% higher than the reference case. It was noted that these “high” prices are approximately the same as current prices. However, Task Force members were cautioned to remember that modeling informs decision making by providing *directional* results, not answers. All of the policy scenario runs are done *in comparison to the reference case*. Everything in the model is a snapshot in time and we shouldn't “update” some of the assumptions unless we update all of them at the same time. We can't afford to rerun the reference case with new parameters every time fuel prices change.
 - Keith Reopelle asked whether it would be smart to have at least one modeling scenario where a cap & trade program did not include the transportation sector but only large stationary sources.

- Today's discussion focused only on emission reductions associated with the first two modeling runs. Results of additional emissions modeling, as well as economic impact modeling will be available at upcoming Task Force meetings. (Refer to the handout for details about which policies are included in each scenario.)
- Glen Wood presented preliminary/draft emissions modeling results but these results had not yet been vetted by the TAG. Modeling results of these two scenarios will be posted publicly after their review by the TAG. The preliminary results for both scenarios indicated that the proposed policies would significantly reduce emissions from a "business as usual" scenario, but would fall well short of the levels of reductions that appear to be necessary.
- The Task Force co-chairs asked the TAG to work with ICF to review the results of all remaining modeling runs and to share those results with Task Force members *in advance* of future meetings.

Work Group Identification of Areas of Controversy related to Proposed Policies:

- Roy Thilly and Tia Nelson asked the chairs of each workgroup to identify issues that the full Task Force may need to discuss in relation to policy proposals. They will use the items noted below to construct an agenda for the next several meetings.

Forestry and Agriculture:

- One possible area of concern is how the Advanced Biomass and Biofuel Commercialization and Utilization proposal may overlap or interact with proposals from the Transportation and Electric Generation and Supply workgroups.
- A new policy on Preservation of Existing Carbon Sinks on CRP Lands will be proposed. It has not been as fully vetted as the other proposals, but there aren't any known areas of disagreement at this time.
- This workgroup is very interested in the offsets portion of the cap and trade policy.
- The workgroup considered but did not make any specific recommendations with respect to buffer strips. This workgroup avoided proposing any new regulatory requirements (such as requiring buffer strips under NR 151 rules) throughout all the policy discussions.
- This workgroup opposes mandatory policies for agricultural reductions, such as limits on use of fertilizer.

Conservation and Energy Efficiency:

- Although there are no unresolved differences within the workgroup, the following 3 policy proposals are more restrained than they could have been because the workgroup did not feel it had the right mix of stakeholders to be more specific or aggressive: 1) Energy Efficiency in Schools; 2) Energy Efficiency Standards for Upgrading Existing Residential Buildings Upon Triggering Events; 3) Non-Regulated Fuels Efficiency and Conservation. These 3 policies will not be included in the modeling runs but may have big potential for reductions. The full Task Force may want to consider whether to be more specific and aggressive on these topics than the workgroup was.
- The policy dealing with non-regulated fuels in conservation and efficiency programs should be discussed.

Transportation:

- The workgroup still has strong disagreements on the California Car proposal, even after the new CAFE standards were enacted. Modeling results may help resolve differences but this workgroup is skeptical about ICF's model.
- Reform Planning and Funding Policies to Reduce VMT includes, among other ideas, revisiting rules on Tax Increment Financing (TIF). The TIF law is controversial on a large scale that goes well beyond global warming considerations. The workgroup agreed that the TIF law shouldn't *encourage* sprawl and driving but did not agree on whether or how to change the TIF law accordingly.
- There were no disagreements on the Transit Enhancement proposal but paying for it will be a challenge and may merit more discussion.
- The workgroup has had no response from Wisconsin DOT on the proposed policies. There is some concern that DOT may object to some proposals.

Electric Generation and Supply:

- The Enhanced Renewable Portfolio Standard has unanimous workgroup support in most respects. There were unresolved differences on the ideal level of increase, so the current proposal is based on levels from the MGA platform. There are also unresolved issues about whether large hydropower sources be considered renewable. This should not be an issue for modeling – refer to the modeling assumptions about hydropower.
- There is potential overlap between the Enhanced RPS proposal and the Co-Generation proposal, which includes a proposed change to the definition of renewables.
- Other proposed policies as to which differences exist include: 1) Relax Restrictions on Construction of New Nuclear Plants, which also includes a tricky requirement that nuclear generation should meet Wisconsin demand only; 2) Policy Forum for Planning in the Electric Generation Sector; 3) Re-dispatch Generation to Lower CO2 Emissions (i.e. environmental dispatch). The last two address the general issue of interim emissions reductions for utilities prior to any cap and trade program. The issue of interim offsets discussed in the cap and trade workgroup should be discussed with these two proposals.
- There may be unresolved differences on Advanced Renewable Tariff Development (i.e. feed-in tariffs) but those differences were not described in detail.
- It was suggested by David Donovan that the full Task Force may want to consider changing the RPS to make it an individual utility requirement instead of a statewide average.

Industry:

- The Feebate policy will require full Task Force review and discussion.

Carbon Tax/Cap and Trade:

- The workgroup has unresolved differences on details of the Expanded Cap and Trade template. These include: 1) Should allowances be distributed via auction or allocation? 2) Should the use of offsets for compliance purposes be limited? 3) Should there be geographical limitations on the location of offset projects? 4) Should there be a prescriptive approach to determining what types of offset projects are allowable, or should it be decided through a permissive case-by-case process? 5) Which cost containment options are needed? 6) What is the appropriate timeframe for compliance determinations?

- Some of the decisions about an Expanded Cap and Trade policy can't be made without modeling results but the workgroup did agree on several modeling scenarios that reflect their differences of opinion and will inform decisions.
- The workgroup did not agree to forward a proposal from Clean Wisconsin for a mandatory near-term offsets policy that would be in effect until a cap and trade policy began. This proposal also includes elements of the environmental dispatch concept. Clean Wisconsin is independently forwarding this proposal for Task Force consideration.
- As noted above, the proposals of several workgroups could affect or be affected by policies for offsets proposed by this workgroup.

Ad Hoc Low Income:

- No disagreements within the workgroup were reported, but they expressed a desire that low income impacts be carefully considered by the Task Force especially with several of the policies that address interim reductions, as noted above.

Ad Hoc Co-Generation:

- This template proposes to change the definition of renewables for Act 141 purposes. The workgroup did not agree on whether such a change should take effect before 2015 and count toward the current "10% by 2015" requirement, or whether the changed definition should only count toward obligations after 2015. One view is that allowing the change to count immediately would encourage early action on co-generation; the opposite view is that it would have the effect of reducing the need for other renewables.

Ad Hoc Waste Materials Recovery and Disposal:

- No disagreements on any of the templates in their final form.

Other Issues:

- Keith Reopelle asked if the conservation workgroup looked at water conservation as a way to reduce electric use. Kristine Euclide explained that the workgroup received a few comments on that, but didn't address it specifically due to a lack of good information. PSC staff will discuss this internally ASAP and make a recommendation to the Task Force on whether and how to consider this issue.
- Keith Reopelle also stated that Clean Wisconsin has two new policy proposals that it would like to present to the full Task Force, one addressing sulfur hexafluoride emissions and one looking at how greenhouse gas emissions are considered under the Wisconsin Environmental Policy Act (WEPA). These proposals may or may not be controversial.

Wrap up / Announcements:

- Future Task Force meetings have been set through April and May. The dates are: April 17, April 25 (tentative), May 1, May 14 and May 29. At this time, all meetings are planned to be held at WPPI in Sun Prairie. Task Force members will be notified of any changes or additions and all meetings will be noted on the Wisconsin Task Force on Global Warming website.
- Task Force members and workgroup members can request hard copies of the Interim Report from John Shenot at PSC.