

GWTF Meeting, 5.29.08

WPPI

Among those in attendance – Tia Nelson (BCPL), Roy Thilly (WPPI), Todd Swanson (Ariens), Forrest Ceel (IBEW), Jeff Crawford (FCPC), Scott Neitzel (MGE), Jonathan Foley (UW-Madison), Sally Feistel (USW), Emily Green (Sierra Club), Charlie Higley (CUB), Steve Hiniker (1000 Friends), Todd Holschbach (TNC), Frank Ericson (SC Johnson), Margi Kindig (Citizen), Rick Kuester (WE), Gary Malkus (GM), Clay Nesler (Johnson Controls), Share Brandt (WFC), Jennifer Oeschner (Sen. Jeff Plale's office), Keith Reopelle (Clean Wisconsin), Tom Scharff (NewPage), Susan Stratton (ECW), Barbara Swan (Alliant), David Donovan (Xcel), John Vrieze (DBA/Vrieze Farms), Charlie Schrock (WPS), Lynn Wilson (Plum Creek), Eric Callisto (PSC), Dennis Koepke (PSC), Lori Sakk (PSC), John Shenot (PSC), Al Shea (DNR), Caroline Garber (DNR), Nick Sayen (DNR), Matt Krumenauer (DNR), Ed Jepsen (DNR), Eileen Pierce (DNR), John Larsen (WRI), Nina Plaushin (WPPI), Caryl Terrell (Sierra Club), John Clancy (FCPC), George Edgar (WECC), Greg Bollom (MGE), Tom Smies (WPS), Peter Taglia (Clean Wisconsin), Kathy Lipp (Alliant), Scott Manley (WMC), Jennifer Feyerherm (Sierra Club), John Pearse (GM), Andy Kellen (WPPI), Pat Stevens (WBA), Jonathan Ela (NRB), Bill McClenahan (FCPC), Kris Krause (WE)

Welcome, Announcements, and Next Steps:

- The agenda for today's meeting was reviewed. After today's roundtable discussion, the Co-Chairs will develop a straw man proposal to be presented at the June 10 meeting. Members can expect that the proposal will have something for everyone to like and dislike. Targets and goals will be discussed at the next meeting but probably will not be included in the straw man proposal. These next steps were explained in more detail later in the meeting.

MGA Update:

- Nothing to report.

Technical Advisory Group - Modeling:

- John Larsen summarized some of the insights that have been gleaned from attempts to analyze various cap and trade proposals outside Wisconsin. A copy of his presentation is available on the Wisconsin Task Force on Global Warming web site. Some highlights of the presentation and ensuing discussion are noted here:
 - The key insight from other analyses is that model results are informative and give one a sense of relative and directional impacts, but not precise answers. Models can and do over-estimate or under-estimate costs and benefits. The inputs to any model (assumptions, methodology) strongly influence the outputs.
 - Model results show little impact from proposed federal cap & trade policies on producer fuel prices. Larsen explained that this does not reflect what might happen with consumer fuel prices and it assumes no cost is assigned to GHG emissions. The projections are based in large part on demand forecasts from the *Annual Energy Outlook*, which Larsen believes are probably unrealistic. But again, regardless of whether the models are accurate in forecasting prices, what matters is the relative change in prices that results under different policy scenarios.
 - It isn't possible to assign a margin of error to modeling forecasts for future years because after the initial year they aren't based on empirical observations but rather

- on the assumptions of the model. Margin of error is a statistical measure that is only meaningful when one extrapolates from empirical data (i.e., actual measurements).
- George Edgar updated the Task Force on the status of modeling efforts. A copy of his presentation is available on the Wisconsin Task Force on Global Warming web site. Some highlights of the presentation and ensuing discussion are noted here:
 - The TAG has been trying to model cap & trade policies for the last 2 months. TAG members have unanimously concluded that, given time and resource constraints and information gaps, they can't with any confidence provide detailed forecasts of the impacts of the modeled cap & trade policies on allowance prices, economic impacts, or leakage. The TAG will provide a summary at the June 10 meeting of some useful insights and general observations about how the design elements of a cap & trade program influence outcomes, but they will not produce a single value of forecasted impacts. Any values generated by the modeling done for the Task Force of cap & trade should not be used as the basis for policymaking.
 - The TAG does have confidence in the modeling results for the other policies, which are Wisconsin-only policies. The big difference with cap & trade modeling is that the results are highly dependent upon the assumptions about what policies will be in place in other states. We have very detailed information about Wisconsin but we don't have the same level of information about other states.
 - The TAG recommends shifting focus to regional cap & trade modeling efforts to be conducted by MGA. MGA is better equipped to get accurate information from other states that will allow for more accurate modeling assumptions and has more time. Wisconsin has three members on the MGA modeling workgroup that can share our insights and watch out for our interests.
 - George Edgar then reviewed results of the "high fuel price" modeling scenario. This scenario assumes fuel prices will be 50% higher than assumed in the reference case, then looks at the impacts of the policy proposals. A copy of this presentation is also available on the Wisconsin Task Force on Global Warming web site. The key conclusion is that high fuel prices slightly accelerate the effects of our policies, but ultimately the policies are more important than the high fuel prices in determining outcomes. Under high fuel price assumptions, modeling scenario 1 (all policies except cap & trade) results in reductions of 18 million metric tons below the reference case. Interestingly, the proposed policies have a slightly more positive macro-economic impact under the high-price assumption than the original reference case. This appears to be a product of the model's reaction to decreases in fuel imports and not much weight should be given to this projected impact.
 - At the next Task Force meeting, the TAG will present results from the last remaining modeling scenario: "zero carbon resources." That scenario assumes that 2000 MW of zero carbon generation is added to Wisconsin's generation fleet in 2020 and 1400 MW of older, small coal units are retired.

Roundtable Discussion:

- Each member of the Task Force was given an opportunity to identify his or her key issues, concerns, priorities, or objectives for the Final Report. Nearly all members were present and offered their thoughts. Some members were asked clarifying questions or added comments at the end to address questions or misconceptions that were voiced.
- The Task Force Co-Chairs explained in greater detail the plan going forward:

- The Co-Chairs will prepare a detailed memo addressing all the issues discussed in recent meetings where Task Force members are not in consensus. The memo will not be a draft Final Report, but rather a proposed resolution of the areas of disagreement.
- The proposed resolution will focus on the specific charges given by the Governor to the Task Force in Executive Order 191. Members were encouraged to review the Executive Order before the next meeting.
- The memo and the proposed resolution of issues are not likely to be distributed in advance of the June 10 meeting. The Co-Chairs believe it will be easier to lay it out at the meeting. Questions can be answered and clarifications provided to all members at the same time.
- After explaining the memo, the Co-Chairs will ask members to comment and ask questions. Members will also be able to submit written comments.
- The Co-Chairs will make revisions based on the comments of Task Force members and bring a final proposal to the June 26 meeting for a vote. The Final Report will be written after the issues are resolved and then be presented at what the Co-Chairs hope will be a final meeting.

Other Business:

- Future Task Force meetings have been set through June. The dates are: June 10 and June 26. 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.
- Wisconsin will continue to be engaged heavily in the MGA Cap & Trade discussions. The experience gained through our Task Force discussions and our modeling effort positions us well to add insight and positively influence the outcome.