

## **GWTF Meeting, 6.10.08**

### **WPPI**

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**Among those in attendance** – Tia Nelson (BCPL), Roy Thilly (WPPI), Forrest Ceel (IBEW), Jeff Crawford (FCPC), Kristine Euclide (MGE), Jonathan Foley (UW-Madison), Jon Geenen (USW), Bruce Nilles (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), Beata Kalies (WFC), Sen. Jeff Plale, Keith Reopelle (Clean Wisconsin), Kristin Ruesch (Rep. Phil Montgomery’s office), Tom Scharff (NewPage), Susan Stratton (ECW), Barbara Swan (Alliant), Charlie Schrock (WPS), Eric Callisto (PSC), Dennis Koepke (PSC), Lori Sakk (PSC), John Shenot (PSC), Mary Ellen Vollbrecht (DNR), Al Shea (DNR), Caroline Garber (DNR), Nick Sayen (DNR), Matt Krumenauer (DNR), Bill Walker (DATCP), Brian Driscoll (OEI), John Larsen (WRI), Nina Plaushin (WPPI), John Clancy (FCPC), George Edgar (WECC), Tom Smies (WPS), Peter Taglia (Clean Wisconsin), Kathy Lipp (Alliant), Scott Manley (WMC), John Pearse (GM), Pat Stevens (WBA), Bill McClenahan (FCPC), Kris Krause (WE), Jennifer Oeschner (Sen. Jeff Plale’s office), Ed Wilusz (WPC), Todd Stuart (WIEG), Katie Nekola (Clean Wisconsin), Mark Redsten (Clean Wisconsin), Dave Benforado (MEUW), Warren Day (ATC), Annabeth Reitter (NewPage), Mark Thimke (Foley), Paul Meier (UW), Tom Content (MJS), Ave Bie (Quarles & Brady), Joe Hanes (Quarles & Brady), Dennis Dums (CUB), Karen Stevenson, Kerry Fox (Kimberly-Clark)

#### **Welcome and Announcements:**

- There were no announcements.

#### **MGA Update:**

- Nothing to report.

#### **Technical Advisory Group:**

- TAG members provided a series of presentations. Copies of all the presentations and handouts are available on the Wisconsin Task Force on Global Warming web site.
- George Edgar summarized the modeling results from the “Deep Reduction” scenario. Some highlights of the presentation are noted here:
  - Under this scenario, Wisconsin would become a net electricity exporter and Wisconsin exports would primarily displace out-of-state coal-fired generation.
  - This scenario leads to a 45 MT reduction in 2024 compared to the reference case, split evenly between in-state and out-of-state reductions.
- George Edgar then explained a handout on Relative Electric Prices and Costs. The key point of this handout is that the model predicts increased electric rates in 2020 due to the proposed policies, but because of conservation and efficiency gains, these policies are projected to reduce customer bills.
- George Edgar also gave a presentation on lessons learned from the cap and trade modeling process. The presentation is both thorough and self-explanatory. Interested readers should download the presentation from the website.
- Kris Krause provided the full Task Force with some of the TAG’s general observations on modeling. Once again, the presentation is self-explanatory and interested readers should download a copy. The TAG believes these insights and the previously mentioned “lessons

learned” should inform Wisconsin’s participation in cap and trade modeling for the Midwestern Greenhouse Gas Reduction Accord.

- John Larsen laid out some of the options for Wisconsin greenhouse gas emission reduction targets. Some highlights of the presentation are noted here:
  - The TAG recommends a baseline year of 2005 because of better data availability.
  - The baseline and targets should be expressed in terms of *net* emissions inside Wisconsin of the 6 greenhouse gases covered by the Kyoto Protocol. Emissions associated with imported power should not be counted in the baseline or targets.
  - One possible interim target is to stabilize emissions at 2005 levels. Policy Case 1 (all modeled policies except cap and trade) would be nearly enough to stabilize emissions. If policies that were not modeled are also considered (but still without cap and trade), emissions might return to 2005 levels by 2013 (or 2012 if “high” prices are assumed). And if the assumptions in the “Deep Reduction” scenario are considered, emissions could drop 7% below 2005 levels by 2020.
  - A second possible target is to return Wisconsin emissions to 1990 levels. A 20% reduction from 2005 Wisconsin emissions would be roughly equivalent to 1990 Wisconsin emissions. A cap and trade policy (or another policy that puts a price on emissions) could be designed to fill the gap between the reductions achieved by Policy Case 1 or the Deep Reductions scenario and the target.
  - Modeling provides little insight on setting long-term targets for steep reductions.

#### **Presentation of Strawman Proposal:**

- Tia Nelson kicked off this discussion by emphasizing that the Task Force has reached consensus on many policy proposals, but the goals of Executive Order 191 cannot be met on those consensus policies alone. The Co-Chairs have engaged in difficult but respectful negotiations to develop a strawman proposal designed to fulfill the charge given to the Task Force in the Executive Order while gaining support from the largest possible number of members. The strawman proposal is not a draft Final Report. It is an attempt by the Co-Chairs to craft a give-and-take compromise on contentious issues.
- Roy Thilly noted that the Task Force was not charged with deciding whether the benefits of meeting the goals in Executive Order 191 exceed the costs, nor was it asked to assess the costs of doing nothing in the face of global warming. Those issues are not addressed by the strawman. The strawman focuses on accomplishing the assignments set out for the Task Force in Executive Order 191, seeking to mitigate cost impacts on consumers and industry and achieving a set of recommendations that are achievable politically with broad Task Force support. Thilly urged Task Force members to recognize that if every idea that came with a cost was thrown out, the goals of the Executive Order couldn’t be met. By the same token, members should appreciate that the economy and the state budget are in difficult circumstances, and businesses and consumers are also under stress.
- Roy Thilly then summarized the contents of the strawman proposal in detail. He noted that this version of the proposal does not yet include emission reduction targets; a proposal for those will be included in the next version for discussion at the next meeting.
- Copies of the full strawman proposal, a shorter document noting the highlights of the proposal, and a joint statement by the Co-Chairs are all available on the Task Force website.

#### **Discussion of Strawman Proposal:**

- Task Force members asked numerous clarifying questions about the strawman proposal. A few also offered initial reactions on specific elements of the proposal. The Co-Chairs responded with clarifications on many points, notably including the following:
  - Many of the details of the strawman were negotiated by the Co-Chairs based on their professional judgment about what constitutes a practical and suitable compromise. These details were not decided based on detailed modeling.
  - There is no plan or intention to do further modeling of the compromise policy proposals in the strawman package.
  - The intention of the California Cars compromise is to agree with the auto industry's call for a single national standard, but also to put Wisconsin on the record in favor of the more stringent California standards (now under review by the courts) over the current federal CAFE standards.
  - The intention of the Cap and Trade compromise is to recognize that the *preferred* solution is a broad federal program, while recognizing the importance of the MGA effort to develop a regional program and fully supporting Wisconsin's participation in that effort. The Co-Chairs did not intend to undermine or suggest any slowing down of the MGA effort. The Co-Chairs welcomed suggestions on how to make that intention clearer in the next version of the document. Regarding the \$2/ton fee for allocated allowances, the intention was to collect some revenue for all allowances, not just auctioned allowances, in order to fund key emission reduction and adaptation strategies, but to make the costs in the early years of the program predictable for regulated entities. Also, the Co-Chairs would propose that GHG emissions from biomass be treated as zero emission under their cap and trade compromise in order to promote biomass conversions.
  - In the proposed RPS compromise, the addition of a percentage requirement for Wisconsin-based renewables (e.g., 6% by 2020) is not intended as a "ceiling" for in-state versus out-of-state generation. The minimum percentages were added to ensure that Wisconsin doesn't meet this new RPS *solely* by buying western wind power, Manitoba hydropower, etc. The RPS compromise is intended to be *stronger* than what was recommended by the generation work group. Also, these requirements refer (for example) to 6% of *total generation* coming from in-state renewables, not 6% of renewables coming from in-state. Customer-sited renewables would count. Utilities would be able to buy RECs to meet RPS requirements.
  - The strawman proposal addresses the need for early action through the Interim Report conservation and efficiency recommendations, by accelerating RPS requirements, and by calling for an update of the Strategic Energy Assessment to analyze utility early action strategies and potential strategies and develop PSC policy.

#### **Other Business and Next Steps:**

- Roy Thilly asked Task Force members to focus on making constructive comments to improve the strawman, recognizing that it must be a compromise to achieve broad support. In making comments, members should keep in mind the Task Force's charge as detailed in Executive Order 191.

- Members were asked to send written comments to Nick Sayen with a copy to the Co-Chairs as soon as possible, but no later than close of business on June 18. Members' comments will be posted on the website.
- Public comments on the strawman are also encouraged. Those comments should be sent by June 18 to [DNRGLOBALWARMTFCOMMENTS@wisconsin.gov](mailto:DNRGLOBALWARMTFCOMMENTS@wisconsin.gov).
- The Co-Chairs will do their best to incorporate comments into a revised strawman for discussion at the June 26<sup>th</sup> meeting. That revision will include proposed reduction targets. The ultimate goal for June 26 is to reach a broad-based agreement on resolution of all outstanding issues, a resolution that the greatest number of members can support. A Final Report will then be drafted in a format similar to the Interim Report and a final meeting will be scheduled to seek Task Force approval of the Final Report.
- The next Task Force meeting is scheduled for June 26 at WPPI in Sun Prairie. Task Force members will be notified of any changes or additions to policy templates that are still being refined.