

HIGHLIGHTS OF CO-CHAIR COMPROMISE PROPOSAL

This Proposal addresses issues as to which consensus was not reached by work groups and related matters. Most policies the Task Force will recommend, like the Task Force's February Interim Report, have consensus and are not discussed below.

I. Early Action to Reduce Emissions.

- a. Task Force Interim Report recommendations provide early action foundation.
- b. Utilities file greenhouse gas emissions inventories, plans for voluntary reductions with costs and impacts, and identification and analysis of other measures that could be taken. The PSC reviews voluntary actions and goals and utilities publicly report on progress.
- c. Changes to renewable portfolio standard below.

II. Enhanced Renewable Portfolio Standard Revisions.

- a. 10% by 2013, 20% by 2020 and 25% by 2025.
- b. No expiration of renewable energy credits.
- c. Expansion of what qualifies: thermal portion of biomass co-gen projects, biomass put into gas pipeline, solar water heating, other verifiable renewable applications that displace fossil fuel use and conversion of older industrial coal-fired boilers to natural gas or biomass.
- d. 6% of the 20% by 2020 must come from Wisconsin-based renewables. 10% of the 25% by 2025 must be Wisconsin-sourced, including Great Lakes wind.
- e. For the post-2013 standards, energy from new, large hydro projects, including Manitoba, qualify.
- f. All other Act 141 provisions continue to apply, including off-ramps.

III. Long-Term Generation Options. In addition to carbon capture and sequestration study, Wisconsin's nuclear moratorium would be modified once enhanced energy efficiency and renewable policies are in place by (i) replacing requirement of a federally licensed nuclear waste facility with requirement that the PSC must find that the a nuclear waste plan for the plant is reasonable and stringent, given safety concerns and (ii) adding a requirement the plant must be built to meet Wisconsin needs and the cost is reasonable in comparison with alternatives.

IV. Other Utility Policies.

- a. Support for increased R&D for GHG emissions reduction technologies.
- b. To address energy cost and job concerns;

- (i) A state program for housing retrofits and rehabilitation in low-income areas (urban and rural), a “green collar” job development and training program and an increase the state’s economic modernization program for industry.
- (ii) Rate mechanisms to credit early conservation and efficiency measures by industry and investigation of ways to reduce and smooth rate impacts of high capital cost projects.
- (iii) Flexibility for industrial customers in meeting the state’s load reduction goals using on-site renewable applications in addition to conservation projects.
- (iv) Inclusion of propane and oil in the Focus on Energy conservation programs.

V. Transportation.

- a. Support for a single, nation-wide set of vehicle efficiency standards like the California standards that are more aggressive than current federal CAFE standards, recognizing that Wisconsin will not decide this issue.
- b. Strong support for a state and local action plan to work with GM to take advantage of Wisconsin’s highly skilled labor force and existing supply chain to manufacture smaller, highly efficient vehicles in Janesville, and assistance in market transformation to improve sales of such vehicles.
- c. A low-carbon fuel standard that is technology and feedstock neutral.
- d. Policies to enable, businesses and individuals to lower the miles they drive, without affecting quality of life or curtailing freedom of choice.

VI. Industrial Programs.

Emissions are declining in the sector. Support for additional voluntary and incentive programs proposed by industry group. If by 2012 further progress is not being made, reconsider need for mandatory measures.

VII. Agriculture and Forestry.

- a. Support voluntary program and incentive recommendations proposed by the sector, but if by 2012 progress is not being made, reconsider need for mandatory measures.
- b. Provide assistance to farmers to cultivate the next generation of energy crops.

VIII. Other Policies.

- a. Recommend that the state put responsibility in a single entity to continuously review additional policies to reduce emissions and develop recommendations. This same

entity also would be responsible for overseeing future data collection and tracking and report on progress.

IX. Cap and Trade.

- a. A broad, multi-sector federal cap and trade program that is fair to Wisconsin is recommended. The second best solution is the Midwestern Governor's Association regional effort, but it needs to include additional states and link to other markets. A Wisconsin-only cap and trade program should not be pursued.
- b. Because (i) the cost of allowances in an auction is extremely uncertain and could be quite volatile, and it is impossible to predict the impact on consumers and the state's industrial base, (ii) to be sure that allowance value is retained in Wisconsin, not diverted to other jurisdictions or financial firms; and (iii) to enhance the state's ability to achieve reductions in non-covered sectors: for the first 10 years, 90% of emission allowances should be allocated to covered entities, not auctioned. They should not be free. Instead, a \$2 per allowance fee should be imposed. This will raise approximately \$135 million per year. These funds should be used for emissions reduction, cost mitigation and adaptation measures. The PSC must require that the value of allowances flow through to customers. The program should provide for broad availability of offsets to lower costs and develop Wisconsin's agricultural and forestry offset capacity, subject to stringent verification additionality and permanence requirements. Early action should be rewarded. Allowance banking should be permitted. The compliance period should be three years, with a smooth, annual step-down of the cap and there should be a high price cap for auctions to mitigate potential price spikes.

X. TARGETS.

Recommendations remain under consideration.