

## HIGHLIGHTS OF REVISED 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. The Task Force's Interim Report recommendations on conservation and efficiency provide an essential and important foundation for early action.
- b. PSC would reopen the 2008 Strategic Energy Assessment and require utilities to 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 biomass.
- d. A minimum of 6% of the 20% by 2020 must come from Wisconsin-based renewables. A minimum of 10% of the 25% by 2025 must be Wisconsin-sourced, including Great Lakes wind. Conversely, the maximum amount of renewable energy from out-of-state used to meet the RPS would be 14% for 2020 and 15% for 2025.
- 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) adding a requirement that any proposed nuclear plant or replacement of an existing nuclear unit, regardless of size, obtain a Certificate of Public Convenience and Necessity (CPCN) from the PSC (ii) replacing requirement of a federally licensed nuclear waste facility with requirement that the PSC must find that the nuclear waste plan for the plant is economic, reasonable, stringent, and in the public

interest, given safety concerns (iii) allowing PSC, in addition to its existing right to apply for an extension of the 180-day time limit to act on a CPCN, to seek a longer extension in the case of a nuclear unit for a reasonable but defined period, and (iv) adding a requirement that the plant must be built to meet Wisconsin needs and the cost must be reasonable in comparison with alternatives. While such a plant may be owned by an entity other than a Wisconsin utility, it would be subject to Wisconsin regulatory oversight (regardless of any future ownership changes) on the same basis as the plant would be if owned by a Wisconsin utility.

**IV. Other Utility Policies.**

- a. Support for increased R&D for GHG emissions reduction technologies, particularly renewables and clean generation technologies, and R&D for climate change adaptation strategies.
- 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 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, with consideration of appropriate funding.

**VII. Agriculture and Forestry.**

- a. Support voluntary program and incentive recommendations proposed by the agriculture and forestry sector, but if by 2012 progress is not being made, reconsider need for mandatory measures, with consideration of appropriate funding.
- b. Provide assistance to farmers to cultivate the next generation of energy crops to foster the development of bio-energy sources. These sources will provide essential feedstock for fuels to meet the low carbon fuels standard and increased use of biomass for heat and energy production.

**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. Wisconsin also should continue to actively participate and lead in the Midwestern Governors Association (MGA) effort to develop a regional cap and trade program, and follow through on any MGA cap and trade agreements that are developed, as required and appropriate. 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 a transition period of up to the first 10 years, a substantial majority (such as 90%) of emission allowances should be allocated to covered industries and utilities to mitigate costs, with the remainder being auctioned. A gradual increase in the amount to be auctioned should occur after the transition period. The allocated allowances should not be free. Instead, a defined fee (such as \$2 per allowance) should be imposed. These funds should be held in trust to be used solely to fund programs to reduce GHG emissions and climate change adaptation strategies. 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.**

Reduce greenhouse gas emissions to 2005 levels by 2014 and 22% below 2005 levels (approximately equal to 1990 levels) by 2022. The long-term target is a 75% reduction below 2005 levels by 2050.