Public Service Commission of Wisconsin
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BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Application of Wisconsin Power and Light Company for a Certificate of Authority for Acquisition, Construction, Installation, and Operation of Six Solar Electric Generation Facilities in Wisconsin

Docket No. 6680-CE-182

INITIAL BRIEF OF THE CITIZENS UTILITY BOARD

I. INTRODUCTION AND ARGUMENT

On May 29, 2020, Wisconsin Power and Light Company (WP&L) filed an application with the Public Service Commission (Commission) to construct and acquire 675 megawatts (MW) of solar photovoltaic generation spread across six utility-scale projects located in Wisconsin (collectively the Solar Projects), that would commence operation beginning in late 2022 through 2023. WP&L's proposal is based upon the "Clean Energy Blueprint" resource planning exercise performed internally by the company and includes the use of tax equity partnerships to finance the proposed Solar Projects.

Based on the record, generally supports WP&L's proposal to construct and acquire the six Solar Projects. However, should the Commission elect to approve the Solar Projects, CUB requests that the Commission take certain steps to protect WP&L customers. Specifically, CUB recommends that the Commission:

1. Limit the total approved cost of the Solar Projects to 100 percent of the estimated acquisition cost, plus AFUDC.
2. Limit the total amount recoverable through retail rates to the total capital cost less contributions from tax equity partners.

3. Require that WP&L provide notice to the Commission within 30 days of learning of any factor, including force majeure event(s), that increases the acquisition cost, with increases to the cost basis for calculation of AFUDC only at the Commission's discretion.
4. Condition its approval on, or otherwise require, the execution of agreements related to the tax equity financing that are consistent with or substantially in the form of what has been represented by the company in this proceeding, or better, from the standpoint of customer rate benefit.

II. ARGUMENT

Modeling and Cost Benefit Analysis

As justification for the proposed acquisition and construction of the Solar Projects, WP&L relies on the results of its Clean Energy Blueprint generation resource planning process. The Blueprint suggests that the early retirement of essentially all of WP&L's remaining large coal-fired generation facilities, coupled with the largest single-utility investment in utility-scale PV ever seen in Wisconsin, will result in lower net costs to WP&L's customers over the Blueprint's planning horizon. Specifically, WP&L argues that this overall approach will generate approximately $2 billion to $6.5 billion in nominal revenue requirement savings ($200 million to $1 billion on a present value basis) for customers over the next 35 years. (Ex.-WPL-Application-r: Application-40) However, CUB would note for the Commission that the savings represented by WP&L come in the form of avoided cost as compared to the Base Case, which effectively represents the maintenance of the status quo, with respect to the utility's overall supply portfolio. As such, the savings figures presented in this proceeding do not necessarily represent decreases in customer rates relative to present, but rather more likely represent customer "savings" in the form of future rate increases that are lower relative to the Base Case. Finally, CUB would note that the Commission's approval of the proposed Solar Projects may be perceived as implicit approval of WP&L's overall Clean Energy Blueprint, inclusive of any underlying assumptions regarding the prudency of early coal plant retirements and the recovery of costs associated with generating facilities that are retired early consistent with the Clean Energy Blueprint. As issues such plant early-retirement cost recovery is a significant unresolved issue in Wisconsin, CUB would caution the Commission regarding the explicit scope of any authorizations granted in this proceeding.

As an initial matter CUB is generally satisfied with the analysis performed by WP&L in this proceeding in support of the proposed acquisition of the Solar Projects. The planning scenarios against which WP&L evaluated portfolio alternatives represent a reasonable range of futures, without an excessive emphasis on future load growth. This, coupled with the stochastic analysis performed as part of the least-cost optimization within Aurora, CUB believes, presents a suitably representative range of outcomes and probabilities for the utility and its customers that should assist the Commission in arriving, one way or another, at a no-regrets decision based on the evidence. (Direct-CUB-Singletary-6-7)

In addition to presenting the results of a robust analysis, WP&L has shared information in this proceeding regarding its overall resource plan that goes beyond the bare minimum that would likely be necessary to clear the regulatory hurdles for the proposal at hand. The company has shared significant elements of its envisioned portfolio path through 2030. The utility also engaged with stakeholders throughout the analytical and planning process that has led to the proposal in this proceeding, rather than simply briefing parties ex-post regarding the company's finalized plans. This transparency, along with the relative robustness of the company's modeling, provides greater comfort that any final decision reflects a consideration of the "whole board" rather than a narrow peek into the utility's plans. Beyond the technical elements, CUB believes that the way WP&L has developed and presented its proposal and supporting arguments in this proceeding, which is more akin to the types of integrated resource planning processes seen in many other states, represents a baseline for how resource planning should be performed by all utilities in the future. (Direct-CUB-Singletary-4-6)

<u>Project Cost</u>

Based on the record, CUB does not have any significant concerns regarding the cost proposed Solar Projects. From a cost perspective, the Solar Projects are consistent with other utility-scale solar acquisitions approved by the Commission in recent years such as the Badger Hollow and Two Creeks projects on a dollar-per-MW basis. (Direct-CUB-Singletary-6) Additionally, the use of an RFP process for more than one-third of total capacity for the Solar Projects provides a degree of comfort that WP&L's customers are getting a good deal, not only on the RFP-contracted facilities, but on all of the Solar Projects as costs are fairly consistent across all facilities to be acquired. (Id.)

WP&L has requested authorization for to construct, acquire, and install the Solar projects at a total cost of $862 million, plus AFUDC. (Ex.-WPL-Application-r: Application-8, Surrebuttal-WPL-Lipari-2) No request has been made to pad the requested authorization amount with an "overage allowance" as has sometimes been done with traditional resources in the past. (Surrebuttal-WPL-Lipari-2). CUB supports WP&L's proposal to limit the authorized cost of the Solar Projects to 100 percent of the estimated acquisition cost, plus AFUDC. In its testimony, Commissions staff proposed an alternative that would limit the amount recoverable through WP&L rates to $575 million (Tr. 43), which CUB understands to represent the total cost of $862 million, less the capital contributions from tax equity partners. CUB believes that it and Commission staff are suggesting essentially the same thing. While the total project cost for which WP&L seeks approval is $862 million, the approximate amount that would ultimately be reflected in WP&L rates for retail rate recovery would be $575 million, inclusive of AFUDC, and after tax equity partner contributions are considered. (Ex.-WPL-Ashenfelter-1, Schedule 1) While related, these two figures represent two discreetly separate steps in the regulatory ratemaking process (construction vs rate recovery). Under traditional utility financing, the authorized project construction or acquisition cost would be the amount for which the utility would receive implicit preliminary approval for retail ratemaking purposes. However, the proposed use of tax equity financing in this proceeding does highlight that the construction cost and the recoverable cost are separate (albeit related) items and decision points for the Commission. If the use of tax equity financing is approved, CUB suggests that adopting Commission staff's recommended initial cap on recoverability, in addition to a separate determination of the approved construction/acquisition cost, may be appropriate in order to avoid ambiguity in future proceedings before this Commission.

Finally, WP&L has proposed a reporting requirement wherein it would be required to notify the Commission if the cost of the Solar Projects, including force majeure costs, exceed the total estimated capital cost by more than 10 percent. (Ex.-WPL-Application-r: Application-59; Surrebuttal-WPL-Lipari-2) CUB recommends that the Commission adopt a modified version of WP&L's proposed cost notification requirement, under which the company shall notify the Commission if the cost of the Solar Projects, including force majeure costs, exceed the total approved capital cost. Tightening the notification threshold to an amount equal to the

Commission's authorized capital construction cost would allow the Commission to provide timely oversight of any cost-overruns.

Tax Equity Financing

As part of its application, WP&L has proposed to utilize tax equity financing for the proposed Solar Projects due to the company's tax appetite being insufficient to maximize the benefits from the federal solar ITC. (Direct-CUB-Singletary-7; Ex.-WPL-Application-r: Application-40) Given this situation, CUB believes it is appropriate that WP&L has explored and proposed an alternative to traditional utility investment financing in order to maximize the ITC benefits that can be passed on to customers. Indeed, given the company's tax appetite, it would have been imprudent for WP&L to not propose some alternative to traditional financing. (Direct-CUB-Singletary-7)

Finally, CUB would note that WP&L witnesses have indicated that the company will not be able to finalize commitments from tax equity partners until six to 12 months prior to a project's commercial operation date. (Direct-WPL-Gresens-p-16-28) Approximately $280 million in nominal savings, or $127 million in present value terms, will be produced through the use of tax equity financing. (Direct-WPL-Gresens-p-12) As such, a significant portion of the net financial ratepayer benefits calculation upon which the Solar Projects are based is tied up in tax-equity financing being executed consistent with WP&L's assumptions. WP&L has indicated in his direct testimony that the company has committed to executing agreements that are consistent with the representations presented in this proceeding. Consistent with this, should the Commission approve the Solar Projects, CUB recommends that the Commission explicitly condition its approval on, or otherwise require, the execution of agreements related to the tax equity financing that are consistent with or substantially in the form of what has been represented by the company in this proceeding. (Direct-CUB-Singletary-7-8)

III. CONCLUSION

CUB generally supports WP&L's proposal to acquire, construct, and install the Solar Projects. Should the Commission approve WP&L's application, CUB requests that the Commission adopt CUB's proposed conditions in order to protect customers and help ensure that the economics of the project unfold as represented by WP&L in this proceeding.

Dated this day, March 8, 2021.

Respectfully Submitted,

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