



We Energies
231 W. Michigan Street
Milwaukee, WI 53203
www.we-energies.com

October 26, 2018

Delivered Via Electronic Mail

Ms. Elizabeth Hittman
Sustainability Program Coordinator
200 E. Wells Street, Room 603
Milwaukee, WI 53202

Re: City of Milwaukee Interconnection Applications

Dear Ms. Hittman:

Wisconsin Electric Power Company (Wisconsin Electric) has completed its review of your applications to interconnect seven distributed generation facilities as part of your ReFresh plan to replace fossil fuel energy use with cleaner renewable resources at your facilities. Unfortunately, Wisconsin Electric cannot legally grant the applications because the proposed purchase power agreement between the City and a solar developer is not authorized under Wisconsin law.

Nonetheless, Wisconsin Electric values our relationship with City of Milwaukee. We would like to offer the City the opportunity to participate in a pilot program that would allow the City to achieve its policy objectives by hosting the same solar projects identified by the City within the confines of Wisconsin law. This program would deliver additional benefits to the City in the form of long term revenue for hosting solar facilities at your six preferred sites and avoid spending general purpose revenues to advance your solar projects.

Interconnection Request

We have determined that the interconnection applications are not complete because they have not been submitted by the proper applicant. The rules of the Public Service Commission of Wisconsin (PSCW) relating to interconnection are found in Wis. Admin. Code § 119.02(2). That administrative rule requires that the interconnection applicant be “*the legally responsible person applying to a public utility to interconnect a DG facility to the public utility’s distribution system.*”

According to the materials the City recently provided to us, the developer will hold an 80% ownership share in the facilities and will be 100% responsible for the construction, installation, operation and maintenance of the facilities. The proposed solar service agreement between the City and the developer also makes clear that the developer will be the actual owner responsible for ensuring that the facilities meet the PSCW’s requirements for design, safety, certification and testing.

Although the agreement states that the City would hold a 20% ownership share of the facilities, the City will have no other indicia of ownership. Furthermore, the agreement provides that the developer will deliver to the City all of the capacity and energy produced by the proposed distributed generation facilities. In exchange, the City will pay the developer an energy service fee for all capacity and energy produced that will vary by the facilities’ actual output through an annual true-up adjustment.

Ms. Elizabeth Hittman
October 26, 2018
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This arrangement constitutes a purchase power agreement where the third party developer is acting as the public utility by selling electricity directly to the City. Because Wisconsin Electric already provides electric service to you, the developer cannot act as the public utility in this circumstance and extend such service to you. Such an arrangement is not authorized under Wisconsin law.

For these reasons, Wisconsin Electric cannot legally interconnect the proposed distributed generation facilities.

Solar Now Program

Although we cannot legally grant these interconnection applications, we believe we have a practical solution that would enable you to meet your policy objectives.

We would invite the City to participate in our proposed Solar Now Pilot program. Once approved by the PSCW, the Solar Now program will allow our customers to host solar generation on their rooftops or vacant land and, in exchange, receive a monthly lease payment. We believe the facilities you identified in your RFP issued last May would fit nicely into this pilot. Attached is a copy of our request for approval of our pilot program, which we submitted to the PSCW on October 12th.

We believe that having these facilities rolled into our proposed Solar Now program would offer several advantages for the City. First, we estimate the City would save over \$300,000 up front by eliminating the need for the funding contemplated by the developer. Second, the City would avoid a long-term obligation under the Solar Services Contract to pay almost \$3.5 million in nominal dollars over the term of the Contract in exchange for potential—and uncertain—savings on energy costs. Instead, we estimate the City would receive lease payments of approximately \$45,000 per year for the life of the lease at the six proposed locations.

Combined with our active collaboration with the City for the last several months by working with you on larger scale solar projects under our other proposed pilot program (the Designated Renewable Energy Resource Pilot (“DRER Pilot”) also filed on October 12th), we believe that the Solar Now tariff is a far better approach to meeting your renewable energy goals. We look forward to discussing the Solar Now tariff with you, and also to continuing our discussions on the City's participation in utility-scale solar generation under the DRER Pilot.

Please contact me at (414)-221-4737 if you have any questions.

Sincerely,



Theodore T. Eidukas
Vice President
State Regulatory Affairs

Enclosure
cc: Tom Miller and Erick Shambarger



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231 W. Michigan Street
Milwaukee, WI 53203
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Public Service Commission of Wisconsin
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October 12, 2018

Ms. Steffany Powell Coker
Secretary to the Commission
Public Service Commission of Wisconsin
P. O. Box 7854
Madison, WI 53707-7854

6630-TE-_____

Dear Ms. Powell Coker:

As the cost of renewable energy generation installations continue to decline, more of our customers have expressed interest in working with us to develop renewable energy in Wisconsin. In response to this customer interest, we have developed two new pilot programs. These pilot programs will allow us to partner with our customers who choose to either (a) host a solar PV system that the Company would own and operate – referred to as the Solar Now Pilot, or (b) subscribe to a Wisconsin-based dedicated renewable energy resource — referred to as the Dedicated Renewable Energy Resource Pilot — which is similar to a pilot approved for Madison Gas & Electric Company last year.

Pursuant to Wis. Stat. §§ 196.19 and 196.20, Wisconsin Electric Power Company (“Wisconsin Electric” or the “Company”) applies for approval to implement these two pilot programs for customers in our service territory. Additionally, Wisconsin Electric requests that a new docket be opened for its proposed Solar Now and Dedicated Renewable Energy Resource pilot program tariffs and that the docket be entitled “Application of Wisconsin Electric Power Company for Approval of its Solar Now and Dedicated Renewable Energy Resource Pilot Tariffs”.

Solar Now Pilot

For customers who wish to host a solar PV system, Wisconsin Electric requests that the Public Service Commission of Wisconsin (“PSCW”):

- Approve a pilot program, named Solar Now, which establishes a 2.25MW nameplate capacity limit on each hosted solar PV system installation, with a total participation cap of 35 MW with 10 MW being reserved for non-profit or government entities.

- Approve the tariff called *Solar Now*, as proposed in the attached Appendix A.
- Approve the Company's request to defer the cost of the installed solar systems and the lease payments made to participating customers as part of this pilot program between the date that this pilot program is approved and the implementation of the Company's base rate changes, as approved by the PSCW in the Company's next rate case proceeding.

This Solar Now pilot program will allow the Company to:

- Gain valuable knowledge, insight and experience operating distributed solar generation and the Company's existing distribution system with these distribution generation assets deployed;
- Identify characteristics of optimal sites that can utilize distributed generating assets to avoid or defer future investments in the Company's distribution system while maintaining world-class electric service reliability;
- Help meet its capacity needs while being responsive to customer requests for local distribution-connected solar generation;
- Partner with non-profit entities, which are not eligible for currently-available federal tax credits, wanting to host utility-owned solar generating assets;
- Partner with interested customers in hosting utility-owned solar generation projects; and,
- Encourage and support the growth of carbon-free electricity generation in Wisconsin.

A customer participating in the Solar Now pilot program will receive a monthly lease payment for hosting the solar PV system. The lease payment paid by the Company will be the value of the capacity directly attributed to the solar PV system, each as defined in the tariff. The value of capacity for a solar PV system will be available only to the extent the solar PV system receives capacity accreditation from the Midcontinent Independent System Operator ("MISO").

The lease payment will be paid in monthly installments equal to one twelfth (1/12th) of the annual amount. Additionally, the value of capacity will be based on MISO's Cost of New Entry ("CONE") for the relevant MISO Resource Adequacy Planning Year at the time the service agreement is executed with the customer. All energy generated by a solar PV system subject to this pilot will be delivered to the Company's distribution system and all rights to renewable energy attributes would remain with the Company.

Other important aspects of the Solar Now tariff:

- The customer will be required to enter into a written service agreement with the Company.
- Customers taking service under this pilot will be responsible for all rates, adjustments, and credits specified in the customer's otherwise-applicable rate schedule.
- Wisconsin Electric will retain ownership of and responsibility for the operation and maintenance of solar PV systems subject to the pilot.
- An individual customer (as defined by a tax ID number or a single unit of government) may host multiple, aggregated systems up to the established 2.25 MW limit for each installation.

For further details regarding the tariff, please see attached Appendix A.

Dedicated Renewable Energy Resource Pilot

For customers that wish to purchase a portion of a large-scale renewable energy project located in Wisconsin, the Company requests that the PSCW:

- Approve a pilot program, named the Dedicated Renewable Energy Resource Pilot, which establishes a 150 MW nameplate capacity limit of total customer participation for existing load without a limit to the number of customers that can participate in the program.
- Approve the tariff called Dedicated Renewable Energy Resource Pilot, as proposed in the attached Appendix B.

The Dedicated Renewable Energy Resource Pilot will allow the Company to:

- Provide participating customers with specific renewable energy goals or needs with the renewable energy that they have requested during the term of the service agreements;
- Partner with participating customers wanting to acquire energy from local, renewable resources;
- Help meet the Company's capacity needs while being responsive to customer requests for local renewable generation;

- Provide non-participating customers with a valuable, productive renewable energy generation resource — at net book value — at the end of the service agreements with participating customers; and,
- Encourage and support the growth of carbon-free electricity generation in Wisconsin.

A customer participating in the Dedicated Renewable Energy Resource Pilot will pay all costs associated with the associated renewable energy resource subject to each service agreement. These costs include, but are not limited to, depreciation, return on invested capital and operations and maintenance during the term of the service agreement.

Participating customers will receive, on a monthly basis, a credit equal to the value of the market value of the energy generated by the portion of the renewable resource dedicated to their use and a monthly capacity credit. The energy credit cannot exceed the amount of a customer's load for any 60 minute interval. If the dedicated renewable energy resource generates more energy than the customer consumes during any 60 minute interval, that excess energy is provided to non-participating customers at no cost. Rights to renewable energy attributes will be assigned to participating customers in accordance with tariff provisions.

The capacity credit will be applied in monthly installments equal to one twelfth (1/12th) of the annual amounts. The value of capacity for a dedicated renewable energy resource will be available only to the extent the dedicated renewable energy resource receives capacity accreditation from MISO. Additionally, the value of capacity will be based on MISO's CONE or the MISO zone 2 Planning Resource Adequacy Auction clearing price for the relevant MISO Resource Adequacy Planning Year, which will be determined with reference to the Company's capacity position during the MISO Resource Adequacy Planning Year at the time the service agreement is executed with the customer.

If a long term capacity payment is not available, a participating customer will be provided a short-term capacity payment and placed on the waiting list for a long term capacity payment on a first come, first served basis.

Other important aspects of the Dedicated Renewable Energy Pilot are:

- The customer will be required to enter into a written agreement with the Company that will require PSCW approval;
- Customers taking service under this rider will be responsible for all rates, adjustments, and credits specified in the customer's otherwise-applicable rate schedule;
- The company will own and maintain responsibility for the operation and maintenance of each dedicated renewable energy resource used as part of this pilot;
- An individual customer (as defined by a tax ID number or a single unit of government) may enter into a service agreement up to their aggregated load; however, under no circumstances will multiple customers be allowed to aggregate eligible accounts under a single service agreement.

For further details regarding the tariff, please see attached Appendix B.

Additionally, the Company is interested in leveraging this pilot to learn how distributed generation could be used as a cost effective way to maintain or enhance reliable and cost effective delivery of electricity to its customers. Should you have any questions related to this request, please contact Rich Stasik at richard.stasik@wecenergygroup.com or 414-221-3685.

Sincerely,



Theodore T. Eidukas
Vice President
State Regulatory Affairs

Attachments

WISCONSIN ELECTRIC POWER COMPANY

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Amendment No. xxx

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“SOLAR NOW” SOLAR PV SYSTEM HOSTING PILOT PROGRAMAVAILABILITY

This pilot program is available to customers of Wisconsin Electric Power Company (the “Company”) who desire to host a company-owned Solar PV System (defined for purposes of this pilot program as solar panels, inverter(s), cabling, mounting, trackers – if applicable - and associated controls) with up to 2.25 MW_{ac} nameplate capacity on their rooftop or ground mount site. There is a total cap of 35 MW_{ac} available for this pilot of which 10 MW_{ac} of nameplate capacity will be reserved for non-profit customers (school district, local government, church, etc.). Participation in this pilot program will be limited to customers on a commercial or industrial rate.

RATE

A customer participating in this pilot program will receive a monthly payment for hosting the Solar PV System. The lease payment paid by the Company to the customer shall be the value of the Midcontinent Independent System Operator (“MISO”) accredited capacity of the Solar PV System multiplied by the value of capacity, as defined below, up to the customer’s firm demand at the time the service agreement is entered into. The lease payment shall be paid to the customer in monthly installments equal to one twelfth (1/12th) of the annual amount.

The value of capacity for a Solar PV System will be determined at the time the service agreement between the Company and the customer is executed, as determined by MISO’s then current Business Practice Manual (“BPM”), and will be fixed for the duration of the service agreement. The value of capacity is the MISO zone 2 cost of new entry (CONE) for the MISO Resource Adequacy Planning Year in which the service agreement is executed. This value of capacity definition is subject to change.

Customers entering into a service agreement under this pilot will be responsible for all rates, adjustments, and credits specified in the customer's otherwise-applicable rate schedule. This includes, but is not limited to, facilities charges; energy charges; fuel cost adjustment; on-peak and customer maximum demand charges; and minimum charges, all based on the customer’s actual consumption for the billing period, at the rates under their otherwise applicable rate schedule.

Nothing in this pilot program shall prevent a customer from taking service under schedules EFER-1, EFER-2, EFER-3 or EFER-4, also known as the Company’s “Energy for Tomorrow” programs.

All energy generated by a Solar PV System subject to this pilot would be delivered to the Company’s distribution system and all rights to renewable energy attributes would remain with the Company.

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“SOLAR NOW” SOLAR PV SYSTEM HOSTING PILOT PROGRAMCONDITIONS OF DELIVERY

1. Participation in this pilot program requires a written service agreement between the Company and the customer. Each written service agreement will address, among other topics, the following: (a) duration of the service agreement, (b) size of the system, (c) basis of the lease payment, (d) insurance requirements related to the Solar PV System, (e) the survival of the lease, and all associated terms, if the property is sold or transferred during the term of the lease, and (f) decommissioning of the Solar PV System at the end of its life.
2. The Company will retain ownership of and responsibility for the operation and maintenance of each Solar PV System subject to this pilot.
3. An individual customer, which is defined by tax ID for non-governmental entities or a single unit of government (e.g., municipality, county, school district, etc.) may host multiple Solar PV Systems up to a total of 2.25 MW_{ac} in aggregate. Customers hosting aggregated systems of this sort will not be able to exceed the firm demand of each aggregating customer’s firm demand for purposes of the pilot program. The details regarding aggregation and billing will be addressed in individual service agreements.
4. Participation in this pilot program may be limited by the Company. For example, the Company reserves the right to limit customer participation in this pilot based on a customer’s bill payment and collection history. Further, participation shall be subject to an assessment of the solar resource and structural and environmental engineering suitability of the identified rooftop or ground mount location.
5. All other Conditions of Delivery of the customer’s applicable rate schedule(s) shall apply. If there is a discrepancy between the base rate schedule and this tariff, this tariff shall govern.

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DRER Pilot

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DEDICATED RENEWABLE ENERGY RESOURCE (DRER) PILOT PROGRAMAVAILABILITY

Available to customers currently taking service under one of Wisconsin Electric Power Company's ("the Company's") general secondary, general primary or lighting rate schedules who wish to purchase all or a portion of their electricity requirements from dedicated renewable energy resources as outlined below. There is a participation limit of 150 MW_{ac} of existing customer load and no limit if the customer's load applicable to this pilot is new to the Company's system at the time of entering in to a service agreement.

RATE

A customer taking service under this pilot will be responsible for all rates, adjustments, and credits specified in the customer's otherwise applicable rate schedule(s). This includes, but is not limited to, facilities charges; energy charges; fuel cost adjustment; on-peak and customer maximum demand charges; and minimum charges, all based on the customer's actual consumption for the billing period, at the rates under their otherwise applicable rate schedule. Additionally, a participating customer will pay the cost of the dedicated renewable energy resource, as agreed upon in the corresponding Dedicated Renewable Energy Resource ("DRER") service agreement, and shall receive the following bill credits associated with the energy production and capacity accreditation of each contracted dedicated renewable energy resource:

1. A bill credit for the renewable energy generated specifically for the customer by the dedicated renewable energy resource. Such bill credit shall be determined based on the Energy Credit Value applied to the lesser of the energy generated by the dedicated renewable energy resource for the customer or the customer's actual energy consumption, for each 60 minute interval in the billing period. Any excess generation above a customer's load for a given 60 minute interval will be provided to non-participating customers at no cost. Energy Credit Values will be based on the settled market value of the produced energy less any Midcontinent Independent System Operator ("MISO") charges established for a MISO pricing node, but in no case shall an hourly Energy Credit value be less than zero. Pricing node to be determined and included in the DRER service agreement.
2. A bill credit based on the amount of capacity, as accredited by MISO and up to the customer's billed maximum demand, for any dedicated renewable energy resource subject to this pilot. The capacity credit will be equal to one-twelfth (1/12th) of the annual amount. The credit value will be either a long term capacity credit or a short term capacity credit determined based upon the Company's capacity need/position during the MISO Resource Adequacy Planning Year (June 1 through the following May 31) in which a dedicated renewable energy resource is expected to achieve commercial operation. The capacity credit will only be available to the extent the dedicated renewable energy resource receives accreditation from MISO and it does not exceed a customer's maximum billed demand in each billing period.

A long term capacity credit will be available to a subscribing customer to the extent that the Company has an unfilled capacity need starting in that MISO Resource Adequacy Planning Year and there are no actively participating customers on the waiting list for a long-term capacity credit.

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DEDICATED RENEWABLE ENERGY RESOURCE (DRER) PILOT

RATE (continued)

If a long term capacity credit is not available, a participating customer will be provided a short-term capacity credit and placed on the waiting list for a long term capacity credit, on a ‘first come, first served’ basis. The long-term capacity credit is the MISO zone 2 cost of new entry (CONE) for the MISO Resource Adequacy Planning Year in which the DRER service agreement is executed if the DRER qualifies for a long-term capacity credit. The short-term capacity credit is the MISO zone 2 planning resource adequacy auction clearing price that is in effect on the date in which the service agreement is executed. These capacity credit definitions are subject to change.

Renewable Energy Attributes

Participating customers will be assigned all renewable energy attributes, including Renewable Energy Credits, equal to the amount of energy that is used to calculate the participating customer’s energy credit as defined in paragraph “1.” within the “Rate” section above.

Minimum Charge

The charges from the customer’s otherwise applicable rate schedule plus any charges as defined in the DRER service agreement.

Late Payment Charge

A one percent (1%) per month late payment charge will be applied to outstanding charges.

CONDITIONS OF DELIVERY

1. Service under this pilot requires a written DRER service agreement between the Company and the customer which provides for the dedication of a new (as defined in Condition of Delivery 3(i) below) Wisconsin-based renewable energy resource that is owned by the Company and dedicated to a specific customer and interconnected to either the American Transmission Company (“ATC”) transmission system or the Company’s distribution system. The customer will be responsible for all the costs associated with and identified in the DRER service agreement without limitation.
2. References to MISO and ATC are as defined herein and shall also refer to their successors.
3. The DRER service agreement shall not harm (1) other customers of the Company who are not subject to the DRER service agreement, or (2) the shareholders of the Company. The DRER service agreement must include, but is not limited to, the following:
 - a. Details about the dedicated renewable energy resource facility, including but not limited to (1) source (project description including equipment type, costs, location, etc.); (2) size in kW and projected kWh energy produced; (3) total percentage of anticipated consumption coincident with energy production); (4) project timeline.

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DEDICATED RENEWABLE ENERGY RESOURCE (DRER) PILOTCONDITIONS OF DELIVERY (continued)

- b. Details about the costs associated with the dedicated renewable energy resource facility, without limitation, which are included in the DRER service agreement.
 - c. Nameplate capacity and the estimated applicable MISO accredited capacity value of the dedicated renewable energy resource facility.
 - d. Provision to address early termination by either the Company or the customer.
 - e. Provision to address default by either the Company or the customer in fulfilling obligations under the DRER service agreement.
 - f. Information regarding customer credit worthiness.
 - g. Specified DRER service agreement term.
 - h. The specific MISO pricing node that will be used to determine the Energy Credit Value.
 - i. Identification of whether the customer would qualify for the long-term or short-term capacity credit at the time the associated dedicated renewable energy resource is expected to achieve commercial operation (new) or when the dedicated renewable energy resource is dedicated to the customer's use (existing).
4. The DRER service agreement must be filed with and approved by the Public Service Commission of Wisconsin (PSCW) in accordance with Wis. Stat. 196.192. Any amendments to the executed DRER service agreement must also be filed with and approved by the PSCW. If the PSCW raises specific issues with a DRER service agreement, the Company and the customer will be allowed a reasonable time period to address those issues before the PSCW approves or denies the DRER service agreement.
 5. Within a reasonable time (30 days) after receiving a request from a customer the Company will meet with the customer to begin discussions to determine if mutually agreeable terms can be reached with respect to a dedicated renewable energy resource in accordance with Wis. Stat. 196.192.
 6. A customer, which is defined by tax ID for non-governmental entities or a single unit of government (e.g., municipality, county, school district, etc.), with multiple accounts eligible for this pilot, may aggregate any of its eligible accounts under a single DRER service agreement application with the Company, up to a maximum number of accounts as determined by the Company on a case-by case basis. The details regarding aggregation and billing will be addressed in the service agreement. Under no circumstances will multiple customers be allowed to aggregate eligible accounts under a single service agreement application.
 7. Any customer choosing to be served under this pilot thereby waives all rights to any billing adjustments arising from a claim that the bill for the customer's service would be cheaper on any alternative rate schedule for any period of time, including any rights under Wis. Admin. Code PSC 113.0406(4).
 8. Pilot participation may be limited at the sole discretion of the Company. Additionally, the Company reserves the right to limit customer specific participation on this pilot based on a customer's bill payment and collection history.

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DRER Pilot

DEDICATED RENEWABLE ENERGY RESOURCE (DRER) PILOT

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CONDITIONS OF DELIVERY (continued)

9. Customers shall be bound by, and receive and pay for service furnished hereunder in accordance with (i) the rates, terms and conditions of the DRER; (ii) the rates, terms and conditions of their otherwise applicable rate schedule(s), (iii) the Company's Rules and Regulations; and (iv) any future modifications of such rates, terms, conditions, and rules and regulations that may be ordered or approved by the PSCW. To the extent that there are conflicts among any of the foregoing, the specific provisions of this pilot shall govern.

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