



We Energies
231 W. Michigan Street
Milwaukee, WI 53203

www.we-energies.com

January 9, 2019

The Honorable Tom Barrett
Mayor, City of Milwaukee
200 E. Wells Street # 201
Milwaukee, WI 53202

Re: January 3, 2019 Public Works Committee Presentation

Dear Mayor Barrett:

I am writing regarding the presentation made by your Environmental Collaboration Office (ECO) to the Public Works Committee of the City of Milwaukee's Common Council this past Thursday, January 3, 2019.

We were disappointed with the overall tone of the presentation and some of the comments made about our company and our efforts to provide additional opportunities for customers to participate in renewable energy projects. The presentation did not provide a complete and accurate description of our actual proposal to the City and our efforts to work with you to achieve your renewable goals. It was also unfortunate that the forum provided opportunities for out-of-state developers to share their proposals with the Committee but did not include We Energies.

As Erick Shambarger acknowledged in his presentation, in order to achieve your goals of meeting 25% of the City's electric needs from renewable sources, the City will need to rely upon the future construction of larger scale utility solar or wind projects and cannot meet this goal through the construction of smaller rooftop solar alone.

We have dedicated considerable time and resources throughout 2018 working with your team to find the best approach to achieve this goal in a cost effective manner. Our team also successfully advocated for approvals from the Public Service Commission of Wisconsin (the "Commission") for two renewable pilot programs that will greatly benefit the City.

The first, a pilot program that we call a "sleeve tariff." This is a great vehicle for the City to obtain access to the benefits of larger scale renewable projects at actual cost.

Equally important, "Solar Now", the second recently approved pilot that Erick mentioned – would enable us to deliver smaller scale rooftop solar to our customers, including the City of Milwaukee. Under Solar Now, we will pay our customers a "lease payment" for hosting the facilities and also allow customers to retain the environmental attributes associated with the new facilities in the form of Renewable Energy Credits ("RECs").

Solar Now provides a valuable option, consistent with Wisconsin law, for commercial and industrial customers, including municipalities, school districts, and other non-profits that cannot take advantage of the federal tax credits which make solar facilities more financially viable.

Unfortunately, as presented, the analysis of the benefits the City would receive by participating in Solar Now significantly understated the value the City would realize. It was stated that the annual benefit from Solar Now to the City would be \$40,000 – more than double the benefits to the City under the other alternatives presented, including a proposal where the City would self-finance 1MW of solar facilities. However, this analysis omitted the fact that Wisconsin Electric actually proposed to build 2 MWs of solar facilities at City-owned locations under the Solar Now tariff. Our proposal would provide the City double the renewable energy towards its goal, as well as double the annual financial benefit to the City to \$80,000 annually.

By partnering with us through the Solar Now pilot, the City can avoid issuing over \$1.5 million in additional debt and receive more than \$1.5 million in future lease payments over the life of the project with no investment or maintenance risk for the City.

In addition, portions of the presentation concerning the issue of third-party financing under Wisconsin law and the question of whether an out-of-state developer would be considered a public utility under Wisconsin law are inaccurate and misleading. Wisconsin Electric receives and approves many requests for the interconnection of distributed generation resources that comply with Wisconsin law.

Under Wisconsin law, an entity is a “public utility” that must be certificated and regulated by the Commission if that entity owns, operates, manages, or controls “any part of a plant or equipment, within the state, for the production . . . [of] power either directly or indirectly to or for the public.” Wis. Stat. § 196.01(5)(a). In light of all the facts concerning this situation, therefore, we take issue with your team’s conclusion that the agreement with an out-of-state developer is on a “strong legal footing.” Indeed, one of the solar developers appearing at the hearing confirmed that it does not pursue third-party financing options in Wisconsin because such arrangements are not allowed under current Wisconsin law.

We remain committed to working with you through Solar Now to double the size of the rooftop projects you originally proposed to the Common Council. We have already received a number of customer requests to participate in Solar Now to advance renewable investment in Wisconsin Electric’s footprint. We hope that the City will decide to choose this option, and we remain ready to work with the City on these projects, as well as the other larger renewable projects we have been discussing.

Please don’t hesitate to contact me directly if you would like to discuss this matter.

Sincerely,



Kevin Fletcher

C: Gale Klappa
Sharon Robinson
Erick Shambarger
Paul Vornholt