

City of Gladstone
Renewable Energy Plan, 2013
MPSC Case No. U-16612

This is an updated version of the City of Gladstone (Gladstone) Renewable Energy Plan. No material changes have been made to the plan. However, Table 1 has been updated to reflect actual retail sales in 2011 and 2012, and an updated projection of retail sales in 2013-2015.

As in Gladstone's 2011 Renewable Energy Plan, Gladstone plans to comply with the renewable energy standards of Public Act 295 of 2008 through its existing wholesale power purchase contract with WPPI Energy. WPPI Energy has sufficient renewable generation to meet Gladstone's requirements through 2015 and into the foreseeable future, without the need to purchase renewable energy certificates.

The Plan

This filing by Gladstone complies with Public Act 295 of 2008 (the Act) and the related December 4, 2008 Michigan Public Service Commission Order (MPSC Case No. U-15800).

Part 2, Section 25 of the Act requires municipally owned electric utilities to file a proposed renewable energy plan. The plan must do the following:

- (a) Describe how the provider will meet the renewable energy standards
- (b) Specify whether the number of megawatt hours of electricity used in the calculation of the renewable energy credit portfolio will be weather-normalized or based on the average number of megawatt hours of electricity sold by the electric provider annually during the previous 3 years to retail customers in Michigan.
- (c) Include the expected incremental cost of compliance with the renewable energy standards
- (d) Describe the manner in which the provider will allocate costs

This document addresses each of the requirements listed above. First, some background information is provided on Gladstone's wholesale supplier, WPPI Energy.

Background: Gladstone's Wholesale Supplier WPPI Energy

WPPI Energy is a not-for-profit regional power company serving Gladstone and 50 other customer-owned electric utilities in Wisconsin, Michigan and Iowa. Through WPPI Energy, these public power utilities share resources and own generation facilities to provide reliable, affordable electricity to more than 195,000 homes and businesses.

WPPI Energy has entered into separate long term power supply contracts with each of its members to supply substantially all of its members' power and energy requirements. WPPI Energy owns generation sufficient to supply nearly half of its members' needs and purchases power for the remainder from a variety of utilities, independent power producers and marketers. WPPI Energy also provides a variety of related services to members in the areas of benefits, distribution systems, information systems, marketing, community relations, rates, forecasting, and energy efficiency program support.

Direct Purchases of Renewable Energy. WPPI Energy has contracts to purchase directly the output of various individual renewable projects. In 2012, these projects produced a total of approximately 454,700 MWh of renewable energy:

- Outagamie Clean Energy Project (landfill gas): 23,700 MWh
- Top of Iowa II Project (wind): 130,200 MWh
- Forward Energy Center (wind): 74,900 MWh
- Butler Ridge Wind Farm: 141,000 MWh
- Barton I Wind Project: 84,900 MWh

Renewable Energy Allocations from Slice-of-system Contracts. In addition to directly-contracted renewable projects, WPPI Energy has contracts with major investor owned utilities under which it pays a pro rata share of the resource costs for a pro rata share of the utility's output. As such, WPPI Energy receives an allocation of renewable energy certificates (RECs) under these slice-of-system contracts. For example, if WPPI Energy pays 5 percent of the resource costs for 5 percent of the output under a slice-of-system contract from a 1 million MWh system that includes 100,000 MWh of renewable energy, it will receive RECs representing 5,000 MWh (5 percent). In 2012, WPPI Energy received approximately 220,000 RECs under its slice-of-system contracts. WPPI Energy's slice-of-system purchases include contracts with Wisconsin Electric Power Company and Wisconsin Public Service Corporation.

(a) How Gladstone Will Meet the Renewable Energy Standards

As an all-requirements customer of WPPI Energy, WPPI Energy will ensure Gladstone meets the renewable energy standards. This is shown in Table 1, which indicates that Gladstone’s REC deficit/surplus will be zero. As discussed earlier, WPPI Energy has a number of renewable energy projects under direct contract and receives allocations of RECs under its slice-of-system contracts. Taking into account all of these REC sources as well as the uses of RECs throughout the WPPI Energy system, WPPI Energy has sufficient RECs to meet Gladstone’s renewable energy standards for the foreseeable future.

Table 1 Gladstone’s Renewable Energy Standards

Item	2012	2013	2014	2015 & Later
Average retail sales previous 3 years (MWh)	31,967	32,368	32,601	32,955
10% (MWh)	3,197	3,237	3,261	3,296
Renewable energy standard				
RECs owned 1-yr preceding effective date of the Act, 10/1/2007-9/30/2008	0	0	0	0
Gap (10% average retail sales - RECs owned)	3,197	3,237	3,261	3,296
%	20%	33%	50%	100%
MWh	640	1,069	1,631	3,296
Renewable energy standard (RECS owned + Gap MWh)	640	1,069	1,631	3,296
RECs allocated by WPPI Energy	640	1,069	1,631	3,296
REC (deficit) / surplus	0	0	0	0

Member Renewable Energy Needs. WPPI Energy members in Wisconsin must meet a renewable portfolio standard (RPS). WPPI Energy estimates that RECs from contracts to directly purchase the output from individual projects and from its slice-of-system contracts will exceed the RECs need to meet the Wisconsin RPS by more than 300,000.

(b) Weather-normalized Load vs. Three-year Average of Load

Gladstone will use the average number of megawatt hours of electricity sold annually during the previous 3 years to its retail customers in Michigan to calculate its renewable energy standards for 2012 through 2015. The calculation of Gladstone’s “Renewable Energy Standard (RECs owned + Gap MWh)” in Table 1 uses this methodology. In years after 2015, Gladstone will maintain the number of RECs established by the renewable energy standard in 2015.

(c) Expected Incremental Cost of Compliance

WPPI Energy estimates that Gladstone's expected incremental cost of compliance with the renewable energy standards will be zero for the foreseeable future (e.g., 20-year period beginning when Gladstone's renewable energy plan was approved by the MPSC, July 1, 2009). WPPI Energy has committed to its members in all jurisdictions to meet their renewable energy standards. WPPI Energy has sufficient REC sources in place (renewable energy projects under direct contract and REC allocations under slice-of-system contracts) to meet Gladstone's renewable energy standards for the foreseeable future.

Gladstone will not experience any additional costs to comply with the renewable energy standards above the wholesale rates paid to WPPI Energy. Furthermore, the wholesale rates Gladstone pays to WPPI Energy do not include a premium for the cost to comply with the renewable energy standards.

(d) How Costs will be Allocated

As discussed above, there are no incremental costs to allocate.