Wisconsin Power and Light Company

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March 9, 2010

FILED ELECTRONICALLY

Ms. Sandra J. Paske
Secretary to the Commission
Public Service Commission of Wisconsin
610 North Whitney Way
P.O. Box 7854
Madison, Wisconsin 53707-7854

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RE: Wisconsin Power and Light Company's Request for Approval of an Experimental Economic Development Program Rider, and the Associated Approval of Deferral Treatment of Revenue Discounts. **Docket No. 6680-GF-126**

Dear Secretary Paske:

At its Open Meeting of February 19th, the Public Service Commission of Wisconsin (Commission or PSCW) discussed the merits of Wisconsin Power and Light Company's (WPL) request for approval of an experimental economic development program rider and associated approval of deferral treatment of revenue discounts. WPL understands that the Commission generally approved of the concept and the rationale for WPL's desire to offer discounted rates in order to aid economic development and job creation efforts in WPL's service territory. In addition, the Commission provided feedback about suggested revisions to WPL's proposal, and also recommended that WPL work with PSCW staff, the Citizens Utility Board (CUB), the Wisconsin Industrial Energy Group (WIEG), the State of Wisconsin Department of Commerce (DOC), and other parties to gain further feedback and input to WPL's proposal. Finally, the Commission recommended that WPL file a revised proposal for consideration within 30 days.

WPL talked with, shared information and suggestions, and received input from PSCW staff, CUB, WIEG and DOC in developing a revised proposal. In addition to addressing the Commission's suggested revisions in the revised proposal, WPL independently and through discussions with these groups identified possible alternatives to some of the Commission's recommendations.

Attached to this letter are the following:

1. Narrative Summary of Revisions and Alternatives to the Commission's Suggested Revisions. This document identifies the changes made to meet WPL's understanding of the Commission's suggested revisions and where applicable describes alternatives for Commission consideration. In addition this document provides additional rationale for not implementing the revisions recommended by the Commission.

2. A redlined revised version of the originally filed economic development rate rider that incorporates WPL's understanding of the Commission's suggested revisions. As indicated in the previously mentioned attachment, WPL does not agree that all of the Commission's suggested modifications are appropriate and necessary and requests consideration of its proposed alternatives. If the Commission modifies any of its original recommendations the rider sheets will need to be updated via a compliance filing.

3. A clean version of the revised economic development rate rider sheet that incorporates WPL's understanding of the Commission's suggested revisions.

4. A pro-forma affidavit that customers would sign for them to qualify for the discounted rates.

The attachments listed above do not address the Commission's decision to deny deferral treatment of revenue discounts. While WPL understands, but disagrees with, the Commission's rationale for denial of deferral treatment WPL is not seeking review of that decision. However, WPL seeks clarification in the Commission's Final Decision and Order that future rate case proceedings will reflect projected sales volumes and revenues at the discounted rates for known participating customers.

WPL notified CUB and WIEG of its plans to file the revised proposal. WPL shared drafts with both and suggested that they file comments as they deem appropriate as soon thereafter as possible.

Questions regarding this Application may be directed to Neil Michek at (608) 458-7618 or to me at (608) 458-3652.

Sincerely,

s/s Catherine A. Briggs

Catherine A Briggs
Manager Regulatory Pricing

Summary of Revisions and Alternatives to the Commissions Suggested Revisions to WPL's Economic Development Rate Proposal

The following is based on Wisconsin Power and Light's (WPL) understanding and interpretation of the Public Service Commission of Wisconsin's (PSCW or Commission) February 19, 2010 open meeting discussions regarding WPL's economic development rate proposal. WPL discussed its understanding and interpretations with PSCW staff in the development of the revised proposal and also received input on the revisions and alternatives offered for consideration from both the Citizens Utility Board (CUB) and the Wisconsin Industrial Energy Group (WIEG). The revised tariff Rider language (redlined and clean) included in this filing reflects the Commission's February 19th discussion. This document explains options for consideration, and provides WPL's feedback regarding the Commission's recommendations that WPL believes are too onerous and jeopardize the usefulness of the program.

<u>General Modifications to WPL's Request:</u>

1. Modify the proposal to reflect a one-year trial period rather than a five-year trial period.

    WPL recognizes the Commission's authority to establish the length of the trial period as a condition in the Commission's Final Decision and Order in this proceeding. WPL does not believe a sunset provision is a necessary provision of the tariff rider itself.

    If the Commission chooses to establish a sunset date, WPL recommends that the Commission Order also establish a deadline prior to that sunset date by which WPL shall file a report summarizing the impacts of the program, as well as any economic metrics that the Commission requires. The report deadline should be set well in advance of the sunset date to allow Commission review of the program. This review would allow the Commission to determine if the tariff rider should continue uninterrupted, be modified or be terminated.

    <u>WPL Concern</u>

    WPL understands the Commission's hesitancy to establish a five-year trial since this is a new program. However, WPL believes that an initial trial period of at least two-years will allow the program to develop, and has a better chance of providing meaningful information about the effectiveness of the program.

    <u>Alternative for Consideration:</u>

    WPL proposes, that once approved, the tariff rider be allowed to be in effect and active until an explicit decision to the contrary by the Commission. As explained further below, WPL recommends that the Commission periodically review the impacts of the proposed economic development rider prior to making any decision about whether to continue, modify or discontinue the discounted rate program.

2. Identify economic metrics that would be used to establish evidence of and an expectation of when the economic development rate is just and reasonable.

   Based on discussions with PSCW staff, WPL understands this recommendation is intended to provide a possible method to determine, based on predefined objective measures, whether the proposed economic development rate program should continue. WPL considered various metrics and recommends that the Commission rely on the following metrics, if the Commission desires to establish predefined economic measures.

   Metrics:
   - A comparison of the unemployment rates in the counties in which WPL provides electric service relative to a baseline period or rate (i.e. five percent) and relative to the statewide average.
   - A comparison of WPL's industrial sales volumes relative to the three-year baseline period of 2005, 2006 and 2007.

   WPL's service territory has been severely impacted by reductions in industrial sales. The loss of this industrial load has resulted in the loss of significant numbers of jobs within WPL's service territory. These two metrics are directly linked to the primary goals of the proposed program, increasing jobs and reestablishing industrial load.

   WPL, based on input from PSCW staff, identified the three year period of 2005, 2006, and 2007 as an appropriate baseline period for comparison of industrial sales because it excludes the impacts of the sharp economic downturn that started in late 2008. The metric would compare the most recent (i.e. 2008, 2009, 2010) three year average industrial sales (i.e. CP-1 and CP-2, and related subclasses) in megawatt-hours (MWH) to the baseline three year average. Use of three year averages rather than a single base year would smooth any peaks or valleys in results.

   WPL has not made any specific reference to metrics in the revised tariff language; rather, WPL believes that any required metrics should be addressed in the Commission's Final Decision and Order.

   <u>WPL Concerns</u>:

   WPL believes that identified metrics would be useful tools to evaluate the need for the proposed program. However establishing a limited number of metrics that define whether the economic development rate program should continue is premature. WPL is concerned that tying the applicability of the program to any single, or a limited number of metrics, may not capture all the benefits of the program. WPL recommends, as discussed further below, that the Commission periodically review the impacts of the proposed program.

Alternative A for Consideration:

WPL suggests that it be required to file an annual report to the Commission by March 31st of each calendar year providing the following information:

- Unemployment rates by county for WPL's Service Territory, and the state wide unemployment rate, including a comparison of that employment rate data to a baseline period prior to the recent economic downturn.
- The most recent three-year average industrial sales volumes, including a comparison of that three-year average relative to the baseline period of 2005, 2006, and 2007.
- Number of new customers enrolled under the proposed rate schedules during the year.
- Number of customers that exited the proposed rate schedules during the year that are now taking service at the non-discounted rates.
- Number of customers that dropped out of the program.
- The total number of customers enrolled.
    - Customer count information would be stratified by the years in the program that correspond to relative prorated level of discount they receive.
- Annual calendar year incremental revenues received under the program.
- Annual calendar year incremental energy consumed by customers in the program.

The Commission could then periodically review the program either within the context of future rate case proceedings, or separately.

Alternative B for Consideration

If the Commission prefers the use of a limited number of predetermined metrics, the Commission's Final Decision and Order could specify that the program remain in effect for a period of five years, or indefinitely, until the specific metrics indicate that the economic recovery has occurred and the program is no longer necessary.

3. Establish a process to notify the PSCW when each customer is added or removed from the program.

Establishing an internal procedure to provide notification to the Commission whenever any customers are added or removed from the program is manageable. That requirement should be addressed within the Commission's Final Decision and Order.

Alternative for Consideration:

WPL's suggested annual report includes new customer information. That report would provide the requested information without duplication of effort to notify the Commission as each customer is added or removed.

4. Report on the progress of the tariff no later than the utility's filing of its rate case for the test year 2012.

   Including a report on the progress of the tariff no later than the utility's filing of its rate case for test year 2012 is manageable and WPL recommends that the Commission's Final Decision and Order clearly establish this compliance requirement. However WPL believes its alternative proposal to file an annual report would address the Commission's requirements.

Structural Revisions:

5. Redesign the proposal as a new rate class, rather than as a rider to the existing CP-1 and CP-2 rate classes.

   WPL has not revised the structure of the tariff language to be structured as two new rate schedules. WPL and PSCW staff discussed this matter and WPL believes that there is agreement that structuring the program as a rider to the existing CP-1 and CP-2 rate classes creates the equivalent of new rate classes. WPL also shared this document in draft form with WIEG and CUB and did not receive feedback opposing this interpretation.

   WPL sees no legal difference between 1) adding a rider containing such specific additional provisions while keeping all of the other CP-1 and CP-2 requirements and 2) creating separate rate schedules that replicate the existing requirements of rate schedules CP-1 and CP-2 and adds the additional requirements in the rider sheet to the new tariff pages. WPL sees this as a "distinction without a difference."

   WPL believes this structure is more efficient administratively, and more understandable from the customer perspective. It facilitates billing a customer that is adding load, and it facilitates the customer's transition to the base CP-1 or CP-2 rate schedules when the term of the discounts is complete.

6. Set the initial rate discount equivalent to 105% of the marginal cost rather than allowing a range of discounts up to that level.

   WPL's original filing included language that stated that rates would be "…discounted such that the individual customer's rates cover a floor price that reflects **not less than 105%** *(emphasis added)* of the marginal cost of serving the customer's incremental load ."

   The revised tariff language states that the discount in year-one of the program for each customer **will be 105%** *(emphasis added)* of the marginal cost. This change was made in response to the Commission's concern that the original language allows too much flexibility, and therefore concerns about potential discrimination. As indicated in the tariff language the discounted rate would increase (reduced discount) on a prorated basis over five year until the customer would pay the full CP-1 or CP-2 rates.

7. Clarify that the economic development rate discounts apply only to the incremental load.

   The modified tariff language clarifies in several locations that the discounted rates only apply to the incremental load. However WPL takes this opportunity to further clarify how the discount would be applied in the following examples.

   <u>Example 1: New Customer (or Retained Customer if Allowed)</u>

   a. WPL would calculate the incremental marginal cost of serving the new customer based on the language in the tariff. These calculations would be based on projected demand and energy levels.
   b. WPL would then multiply that marginal cost by 105% to establish the floor costs for the usage projections.
   c. WPL would then calculate the projected costs based on that projected demand and energy using the non-discounted industrial (i.e. Cp-1 and Cp-2) rate.
   d. WPL would compare the results of the calculations at full rates to the floor price to establish a percentage discount level for year-one under the contract. That discount percentage would be used for calculating the customer's bill during year-one.
   e. Each subsequent year, the customer's usage levels would be reviewed to ensure that the customer still meets the minimum requirements. If the customer continued to qualify for the discount, the discount percentage would decline on prorated basis, such that at the end of the contract period the customer would pay the full non-discounted rate in effect at the time.

   <u>Example 2: Incremental Additional Load for An Existing Customer</u>

a. Steps a. through c. above would remain the same, but would only apply to the **incremental** *(emphasis added)* demand and energy for the customer.
b. WPL would compare the results of the calculations at full rates to the floor price to establish a percentage discount level for year-one under the contract for the **incremental** usage.
c. WPL would then calculate the applicable percentage discount to be applied to all usage by calculating the incremental usage as a percentage of the forecasted total usage.

For Example:

a. If the customer's discount percentage for the incremental usage is 20% of the full tariff rate, and
b. If the incremental usage was equivalent to 20% of the customer's new total projected usage,

Then:

The discount applied to all usage would be 4% (20% * 20%)

This will ensure that only the incremental usage qualifies for the discount. This method is significantly less administratively burdensome than calculating separate bills for existing and incremental usage.

8. Establish a minimum incremental load level to be added by the customer to qualify for the economic development rate.

The modified tariff language currently reflects a minimum incremental annual energy usage of 1,000,000 kWh. For purposes of drafting the revised tariff language, this load level was chosen because it is roughly the equivalent of adding a new CP-1 customer.

<u>Alternative for Consideration</u>:

WPL's believes that the clarifications that ensure that the discounts are available only to "incremental" load, in combination with all of the other requirements that need to be met prior to qualifying for the Rider provide sufficient protection. Therefore an alternative is to eliminate a minimum energy usage level to qualify for the Rider.

9. Provide definitions or examples of which government economic development assistance programs would allow the customer to qualify for the economic development rate.

The revised tariff language includes a listing of available economic development aid that the customer must also have received in order to qualify for the discounted rate. The tariff language also specifies a minimum amount of qualifying economic development assistance that must have been received. Finally, the revised language includes a provision that clarifies that the economic development assistance must be specific to the project that is increasing load and creating jobs.

WPL Concern:

WPL's concern is that the listing of possible qualifying economic development programs could become stale if the State of Wisconsin or the federal government establishes new programs.

Alternative for Consideration:

WPL suggests that the listing include an "Other, subject to Commission approval" category. That would provide flexibility in the event that new programs are developed and yet allow the Commission explicit review before for inclusion as a qualifying program.

10. Provide further clarification of the definition of "marginal costs".

The revised tariff language includes further definition of the "marginal costs" consistent with the information provided to PSCW staff during its initial review of the proposed program, and subsequent discussions since the Commission's initial deliberation of the proposed program.

11. Provide further clarification of the "competitor clause".

WPL understands the Commission's desire to further clarify the availability of these discounted rates or lack thereof depending on whether the customer that is proposing to expand or develop new load has a competitor in WPL's service territory. WPL struggles with the wording of that provision as well. WPL's intent was to attempt to alleviate price competition concerns between similarly situated customers making similar products in WPL's service territory.

As discussed above, the revised tariff language clarifies that the discounted rate will only apply to the "incremental" load of a new or expanding customer. With those clarifications, WPL believes it may be reasonable to delete the competitor clause language entirely. WPL understands that PSCW staff is in agreement with this modification.

Alternative for Consideration:

While clearly defining competitors may be difficult and subject to interpretation, allowing the original language to remain in the Rider provides a measure of perceived equity between competing customers. WPL's understands that similar concerns were raised in the past when Wisconsin Public Service Corporation filed a somewhat similar proposal.

Applicability or Conditions of Use Revisions:

12. Exclude use of the programs as a load retention tool for existing customers that are threatening to leave the WPL system.

The revised tariff language reflects the discussion of the Commission at its February 19th open meeting.

WPL Concern:

WPL believes that the Commission's concern is that existing customers may attempt to over-use this opportunity as a method to leverage their ability to seek lower costs. WPL believes that it is unlikely that companies will publicly threaten to move operations to reduce electric bills; there are too many other negative ramifications for most companies to make such allegations unless they are seriously considering such moves. WPL's concern is that a complete exclusion of this program for these instances provides WPL with very little opportunity to help our local communities retain jobs. WPL believes job retention is as important as job creation. In addition, any retention customer would still need to meet all of the other requirements of the proposed Rider.

Alternative A for Consideration:

One possible alternative is that the program be available to customers in such situations, but only with prior Commission approval. That would allow the Commission to verify an existing company's opportunities to move operations out of Wisconsin. As with customers adding incremental load, these existing customers would need to meet all of the other conditions of receiving discounted rates, including the receipt of governmental economic development aid as listed in the tariff.

Alternative B for Consideration:

The Commission could require a separate affidavit by which the customer affirms that the availability of discounted rates was a primary reason for maintaining operations in WPL's service territory. The Commission could identify other specific requirements that retention customers would need to meet.

13. Develop an affidavit that affirms "but for" the existence of the economic development rate, either alone or in combination with other available economic programs, the customer would not have located the incremental load in WPL's service territory.

    WPL's filing includes a pro-forma affidavit.

14. Require the customer to participate in all economically viable energy efficiency programs with a payback of five-years or less. Make these customers a priority for participation in the Shared Savings program, if they qualify.

    The revised tariff language includes these additional requirements.

    WPL Concern:

    It is WPL's experience that new customers, and customers looking to expand, are particularly conscious of their initial start-up costs. To the extent that a particular energy efficiency program has a relatively short pay-back period and the customer has the financial capability to finance the incremental start-up costs associated with the energy efficiency program, they are very likely to pursue those opportunities. However some customers simply cannot incur incremental start-up costs for a variety of reasons. It is in these situations in which discounted electricity rates may be even more beneficial to make it possible for the customer to locate or expand in WPL's service territory.

    Alternative for Consideration:

    WPL suggests that the conditions for qualifying for the discounted rates include both of the following:

    - The customer shall meet with Focus on Energy representatives to identify possible energy efficiency or demand side management programs or investments that may be beneficial to the customer, prior to qualifying for the discounted rates.
    - The customer shall meet with WPL Shared Savings representatives to identify opportunities for WPL's Shared Savings program for possible energy efficiency or demand side improvements.

WPL believes that the customer should retain the right to determine whether and when any of the programs identified by Focus on Energy or WPL under its Shared Savings program are in the best interest of the company.

15. The program shall include a "claw-back" provision requiring that discounts received by the customer shall be reimbursed to WPL if the customer ceases operations, or fails to maintain the incremental load additions during the entire five-year discount period.

WPL has included language based on sample language obtained from the Department of Commerce.

WPL Concern:

Companies are generally vulnerable to potential failure in the early years of operations and this additional requirement may be viewed as an additional liability on a new company's books. To the extent that the customer fails (i.e. goes bankrupt), WPL believes that administration and collection of the costs are likely to be both difficult and uncertain.

Further, as described in WPL's initial application, the provision that the discounted rates cover at least 105% of the marginal costs will reasonably ensure that existing customers are not harmed. WPL's proposed process of an annual review of the customer's load should ensure that customer continues to qualify for the discounted rates, and to the extent that they don't the discounted rates will cease.

Alternative for Consideration:

WPL suggests that this provision should be removed as a condition of receiving the discounted rate. WPL believes this condition is too onerous for potential customers.

Summary:

The Commission discussion indicated that it had some concerns that the additional modifications to the program may be too onerous to allow the program to be successful, either individually, or on a cumulative basis. As discussed above, WPL has identified certain alternatives for Commission consideration regarding nine of the fifteen modifications requested by the Commission. WPL believes that each of those alternatives has the potential to make the program more successful than the originally proposed recommendations from the Commission. Of the Commission's recommendations, WPL believes that the following three modifications are the most onerous and may cause the rate to go unused:

Item 13: The requirement that customers participate in all economically viable energy efficiency or demand side management programs with a payback period of five years or less.

Item 11: The complete exclusion of the program from use as a load retention tool.

Item 14: Inclusion of a "claw-back" provision that requires customers to reimburse WPL for discounts received if they fail to maintain the minimum incremental load levels.

WPL strongly encourages and requests that the Commission reconsider these three modifications and the alternatives suggested. WPL believes these three modifications, in combination with the other requirements for qualifying for the program, will significantly hinder the usefulness of the program. In addition, WPL requests consideration of the value of a "competitor clause" and the other alternatives identified above.

1. Effective In
The Economic Development Program Rider ("Rider") is available in all territory served by Wisconsin Power and Light Company ("the Company").

2. Availability

This Rider is available to all customers served, or to be served, under Rate Schedules CP-1, ~~CP-1A, CP-1B,~~ or CP-2~~, CP-2A or CP-2B~~, that meet all of the following additional conditions:

- This Rider is applicable to only:
  - The incremental load added by new customers, or
  - The incremental load added by existing customers relative to prior calendar year load levels for that customer.~~, or~~
  - ~~Customer load that is subject to potential loss due to customer consideration of moving load out of the State of Wisconsin.~~
    - ~~In order to qualify under the potential loss of load provision, the Customer shall provide an affidavit indicating viable alternative locations outside of Wisconsin, and indicating that qualification for the economic development discount was a significant determinant in a decision to maintain load in Wisconsin.~~

- The incremental load shall result in an additional 1,000,000 kWh of energy use on an annual basis.

The customer must have qualified to receive, and have received local, county, State of Wisconsin or federal financial assistance for economic development or economic stimulus. The minimum value of the economic development assistance from a local, county, State of Wisconsin, or federal entity that the customer has received must be no less than $ 500,000 and the customer must have received the assistance for the specific project that adds incremental load before it first accepts service under this Rider. The last page of this Rider provides a listing of qualifying economic development programs~~.~~

- This Rider is not available to customers or potential customers transferring load from a different electricity provider in Wisconsin to Wisconsin Power and Light Company.

- ~~This Rider is not available to customers with direct competitors within the Wisconsin Power and Light Company service territory. A direct competitor is defined as either a company that manufactures the same end product or offers the same service to the same group of customers.~~

This is an experimental pilot tariff rider program. The terms and conditions of this tariff may be modified outside of a rate proceeding, subject to approval by the Public Service Commission of Wisconsin (PSCW).

3. Rate

The rates established for each customer's incremental load will be based upon the applicable

Cp-1, Cp-1A, Cp-1B, Cp-2, Cp-2A or Cp-2B ~~tariff~~ rate~~s~~ schedules.~~,~~ The rates will be discounted such that the individual customer's rates for the first year of eligibility cover a floor price that reflects ~~not less than~~ 105% of the marginal cost of serving the customer's incremental load, as determined on an individual customer basis.

The level of discount initially available under this Rider shall decline by an equivalent prorated reduction over each year of the contract term such that at the end of the contract the customer's rates shall be the tariff rates in force at such time.

Customer rates for incremental load under this Rider shall be updated for all changes to tariff rates, including fuel cost surcharges or fuel cost credits.

The calculation of the floor price shall consider any other discounts applicable to the customer and shall consider expected load curves and on-peak / off-peak energy usage projections.

Marginal costs ~~include~~ consists of the following cost~~s~~ components:

- ~~of~~ energy at marginal rate~~s~~ levels equal to the projected Locational Marginal Price (LMP) forecasts underlying in the approved fuel cost projections from the most recent WPL base rate case, or base rate case re-opener proceeding
- marginal transmission and distribution losses
- ~~,~~ transmission charges~~, and~~
- applicable distribution charges ~~for customers served under tariffs CP-1, CP-1A or CP-1B,~~
- energy efficiency charges under Act 141 ~~and~~
- gross receipts taxes.

~~The calculation of the floor price shall consider any other discounts applicable to the customer and shall consider expected load curves and on-peak / off-peak energy usage projections.~~

~~Customer's rate shall be updated for all changes to tariff rates, including fuel cost surcharges or fuel cost credits.~~

~~The level of economic development discount initially offered shall decline by an equivalent prorated reduction over each year of the contract term such that at the end of the contract the customer's rates shall be the tariff rates in force at such time.~~

4. Overall Subscription Limitations ($5,000,000)

This pilot program is intended to be limited to a total annual level of discounts totaling no more than five million dollars on a cumulative annual basis during the pilot program period unless specifically authorized by the Commission to exceed that amount.

The Company may offer this pilot program for ~~the five~~ a period of one ~~calendar~~ year~~s~~ from the approval date of this tariff. Contracts entered into during this pilot program shall be effective until their termination.

5. Contract & Enrollment Period

Agreement to subscribe to this tariff will be established under a written contract between the customer and the Company. Customers with a signed contract may remain on the tariff for a term of up-to 5 years from the date of full commercial operation. Full commercial operation must be achieved within 12 months from the date of the signed contract, unless both parties mutually agree to extend that time period. Accommodations can be made for phased projects, additions, rehabilitation, and upgrading as mutually agreed between the customer and the Company.

6. Affidavit Requirement

In order to be eligible for this Rider the customer shall sign an affidavit, attesting to the fact that "but for" the rate discounts available under this Rider, either on its own or in combination with a package of economic development or job creation incentives from local, county, State of Wisconsin, or federal programs the customer would not have located operations or added load within Wisconsin Power and Light Company's service territory.

7. Sustained Operation Provision

Customer shall be required to enter into an agreement with the Company that in the event that a Customer receiving discounted rates for incremental load under this Rider fails to maintain the minimum incremental load levels described above for any calendar year during the term of the contract, the Customer will be disqualified from receipt of discounted rates under this rider for the remainder of the contract term, and the contract shall be terminated. In addition, the customer shall be required to reimburse to the Company an amount equivalent to the discounts received.

8. Energy Efficiency and Demand Side Management Requirements

In order to be eligible for this Rider the Customer shall be required meet with Focus on Energy, and the Company's Shared Savings representatives to identify economically viable energy efficiency and demand side management opportunities. The Customer shall participate in or implement all economically viable programs or projects that have a projected pay-back period of five years or less. The Customer shall implement all such programs or projects within the contract term for service under this Rider. The Customer may request an independent economic analysis of the economic viability of such programs or projects, at the Customer's cost.

9. Miscellaneous
   - The customer must follow and meet all other conditions applicable to receipt of service under tariffed rate schedules as applicable
   - Discount percentages calculated prior to the provision of service based on load forecasts from the customer shall be reviewed each calendar year and the floor rate shall be revised as necessary to reflect current load expectations.
   - The customer shall notify the Company of any material changes in operations that could impact the calculation of the customer's floor rate, e.g.
     - If the customer's operations change energy or demand usage by more than

ten percent on a sustained basis for 6 months the customer shall notify the Company. The Company and the customer will then evaluate whether the changes in the Customer's energy and demand are expected to continue and whether such changes merit a reevaluation of the floor rate.
   - If the customer changes base rate schedules after the original evaluation of the floor rate, the floor rate and associated discount will be reevaluated.
- During the contract period the Company will review and adjust the customer's floor rate and discount, as needed, to account for changes, including but not limited to, rate designation, load forecasts, and applicable state and federal laws and regulations.
- All service rules and extension rules that apply to Schedule Cp-1, Cp-1A, Cp-1B, Cp-2, Cp-2A, or Cp-2B will apply to customer taking service under this rider.

10. Qualifying Economic Development Programs:

State of Wisconsin Programs

CAPITAL FINANCING PROGRAMS
- Wisconsin Development Fund (WDF)
- Rural Economic Development Program (RED3)
- Minority Business Development Fund (MBD)
- Technology Development Fund (TDF)
- Technology Venture Fund Loan Program (TVF)
- Technology Bridge Grant and Loan Program (TBG)
- Technology Matching Grant and Loan Program (TMG)
- Community Development Block Grant Program (CDBG-ED)
- Industrial Revenue Bond Program (IRB)

EMPLOYEE TRAINING PROGRAMS
- Customized Labor Training Program (CLT)
- Best Employees' Skills Training (BEST)

COMMUNITY DEVELOPMENT PROGRAMS
- Brownfield Grant Program (BF)
- Community Development Block Grant Program – Blight Elimination & Brownfield Redevelopment (CDBG-BEBR)
- Community Development Block Grant Program – Public Facilities (CDBG-PF)
- Community Based Economic Development Program (CBED)

TAX BENEFIT PROGRAMS
- Agriculture Development Zone (ADZ)
- Community Development Zone (CDZ)
- Enterprise Development Zone (EDZ)
- Development Opportunity Zone Program (DOZ)
- Technology Zone Program (TZ)
- Enterprise Zone Program ((EZ 10)

Local or County Programs

- Financial assistance from a local Revolving Loan Fund
- Establishment of or location in a Tax Increment Financing District
- Direct loan from a unit of local government
- Construction of public facilities – roads, sewer, water – to serve a project
- Site acquisition and clearance
- Building renovation assistance

Federal Programs

- Loan Guarantees
- Grants
- Investment Tax Credits
- Income Tax Credits tied to New Hiring
- Low-Interest Loans

1. Effective In
   The Economic Development Program Rider ("Rider") is available in all territory served by Wisconsin Power and Light Company ("the Company").

2. Availability

   This Rider is available to all customers served, or to be served, under Rate Schedules CP-1, or CP-2, that meet all of the following additional conditions:

   - This Rider is applicable to only:
     - The incremental load added by new customers, or
     - The incremental load added by existing customers relative to prior calendar year load levels for that customer.

   - The incremental load shall result in an additional 1,000,000 kWh of energy use on an annual basis.

The customer must have qualified to receive, and have received local, county, State of Wisconsin or federal financial assistance for economic development or economic stimulus. The minimum value of the economic development assistance from a local, county, State of Wisconsin, or federal entity that the customer has received must be no less than $ 500,000 and the customer must have received the assistance for the specific project that adds incremental load before it first accepts service under this Rider. The last page of this Rider provides a listing of qualifying economic development programs

   - This Rider is not available to customers or potential customers transferring load from a different electricity provider in Wisconsin to Wisconsin Power and Light Company.

   This is an experimental pilot tariff rider program. The terms and conditions of this tariff may be modified outside of a rate proceeding, subject to approval by the Public Service Commission of Wisconsin (PSCW).

3. Rate

   The rates established for each customer's incremental load will be based upon the applicable Cp-1, Cp-1A, Cp-1B, Cp-2, Cp-2A or Cp-2B rate schedules. The rates will be discounted such that the individual customer's rates for the first year of eligibility cover a floor price that reflects 105% of the marginal cost of serving the customer's incremental load, as determined on an individual customer basis.

   The level of discount initially available under this Rider shall decline by an equivalent prorated reduction over each year of the contract term such that at the end of the contract the customer's rates shall be the tariff rates in force at such time.

   Customer rates for incremental load under this Rider shall be updated for all changes to tariff rates, including fuel cost surcharges or fuel cost credits.

The calculation of the floor price shall consider any other discounts applicable to the customer and shall consider expected load curves and on-peak / off-peak energy usage projections.

Marginal costs consists of the following cost components:

- energy at marginal rate levels equal to the projected Locational Marginal Price (LMP) forecasts underlying in the approved fuel cost projections from the most recent WPL base rate case, or base rate case re-opener proceeding
- marginal transmission and distribution losses
- transmission charges
- applicable distribution charges
- energy efficiency charges under Act 141
- gross receipts taxes.

4. <u>Overall Subscription Limitations ($5,000,000)</u>

This pilot program is intended to be limited to a total annual level of discounts totaling no more than five million dollars on a cumulative annual basis during the pilot program period unless specifically authorized by the Commission to exceed that amount.

The Company may offer this pilot program for a period of one year from the approval date of this tariff. Contracts entered into during this pilot program shall be effective until their termination.

5. <u>Contract & Enrollment Period</u>

Agreement to subscribe to this tariff will be established under a written contract between the customer and the Company. Customers with a signed contract may remain on the tariff for a term of up-to 5 years from the date of full commercial operation. Full commercial operation must be achieved within 12 months from the date of the signed contract, unless both parties mutually agree to extend that time period. Accommodations can be made for phased projects, additions, rehabilitation, and upgrading as mutually agreed between the customer and the Company.

6. <u>Affidavit Requirement</u>

In order to be eligible for this Rider the customer shall sign an affidavit, attesting to the fact that “but for” the rate discounts available under this Rider, either on its own or in combination with a package of economic development or job creation incentives from local, county, State of Wisconsin, or federal programs the customer would not have located operations or added load within Wisconsin Power and Light Company’s service territory.

7. <u>Sustained Operation Provision</u>

Customer shall be required to enter into an agreement with the Company that in the event that a Customer receiving discounted rates for incremental load under this Rider fails to maintain the minimum incremental load levels described above for any calendar year during the term of the contract, the Customer will be disqualified from receipt of discounted rates under this rider for the remainder of the contract term, and the contract shall be terminated. In addition, the customer shall be required to reimburse to the Company an amount equivalent to the discounts received.

8. Energy Efficiency and Demand Side Management Requirements

In order to be eligible for this Rider the Customer shall be required meet with Focus on Energy, and the Company's Shared Savings representatives to identify economically viable energy efficiency and demand side management opportunities. The Customer shall participate in or implement all economically viable programs or projects that have a projected pay-back period of five years or less. The Customer shall implement all such programs or projects within the contract term for service under this Rider. The Customer may request an independent economic analysis of the economic viability of such programs or projects, at the Customer's cost.

9. Miscellaneous

- The customer must follow and meet all other conditions applicable to receipt of service under tariffed rate schedules as applicable
- Discount percentages calculated prior to the provision of service based on load forecasts from the customer shall be reviewed each calendar year and the floor rate shall be revised as necessary to reflect current load expectations.
- The customer shall notify the Company of any material changes in operations that could impact the calculation of the customer's floor rate, e.g.
    - If the customer's operations change energy or demand usage by more than ten percent on a sustained basis for 6 months the customer shall notify the Company. The Company and the customer will then evaluate whether the changes in the Customer's energy and demand are expected to continue and whether such changes merit a reevaluation of the floor rate.
    - If the customer changes base rate schedules after the original evaluation of the floor rate, the floor rate and associated discount will be reevaluated.
- During the contract period the Company will review and adjust the customer's floor rate and discount, as needed, to account for changes, including but not limited to, rate designation, load forecasts, and applicable state and federal laws and regulations.
- All service rules and extension rules that apply to Schedule Cp-1, Cp-1A, Cp-1B, Cp-2, Cp-2A, or Cp-2B will apply to customer taking service under this rider.

10. Qualifying Economic Development Programs:

State of Wisconsin Programs

CAPITAL FINANCING PROGRAMS

Wisconsin Development Fund (WDF)
Rural Economic Development Program (RED3)
Minority Business Development Fund (MBD)
Technology Development Fund (TDF)
Technology Venture Fund Loan Program (TVF)
Technology Bridge Grant and Loan Program (TBG)
Technology Matching Grant and Loan Program (TMG)
Community Development Block Grant Program (CDBG-ED)
Industrial Revenue Bond Program (IRB)

EMPLOYEE TRAINING PROGRAMS
- Customized Labor Training Program (CLT)
- Best Employees' Skills Training (BEST)

COMMUNITY DEVELOPMENT PROGRAMS
- Brownfield Grant Program (BF)
- Community Development Block Grant Program – Blight Elimination & Brownfield Redevelopment (CDBG-BEBR)
- Community Development Block Grant Program – Public Facilities (CDBG-PF)
- Community Based Economic Development Program (CBED)

TAX BENEFIT PROGRAMS
- Agriculture Development Zone (ADZ)
- Community Development Zone (CDZ)
- Enterprise Development Zone (EDZ)
- Development Opportunity Zone Program (DOZ)
- Technology Zone Program (TZ)
- Enterprise Zone Program ((EZ 10)

Local or County Programs

- Financial assistance from a local Revolving Loan Fund
- Establishment of or location in a Tax Increment Financing District
- Direct loan from a unit of local government
- Construction of public facilities – roads, sewer, water – to serve a project
- Site acquisition and clearance
- Building renovation assistance

<u>Federal Programs</u>
- Loan Guarantees
- Grants
- Investment Tax Credits
- Income Tax Credits tied to New Hiring
- Low-Interest Loans

STATE OF WISCONSIN

____________________ COUNTY

AFFIDAVIT

The undersigned affiant, ____, on behalf of ____, affirms or attests that but for Wisconsin Power and Light Company's economic development rate for retail electricity, either on its own or in combination with a package of incentives made available to the affiant from other sources, the affiant would not have:

1. located operations or added electrical load within the State of Wisconsin; or

2. retained electrical load within the State of Wisconsin.

This the _______ day of _______, 20__.

By:____________________________
Name:__________________________
Title:___________________________

Sworn and subscribed before me this

the ______ day of _______, 20__.

____
Notary Public

My Commission expires: ______________________