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May 5, 2011

VIA ELECTRONIC REGULATORY FILING

Sandra Paske, Secretary
Wisconsin Public Service Commission
610 N. Whitney Way
PO Box 7854
Madison, WI 53707-7854

Re: Application of Wisconsin Electric Power Company for a Certificate of Authority to Construct and Place in Operation a 50 MW Biomass-Fueled Cogeneration Facility to be Located in the Village of Rothschild in Marathon County, Wisconsin.
PSC Docket: 6630-CE-305

Response of Packaging Corporation of America to WEPCO and Domtar's modified allocation proposal submitted pursuant to the Commission's April 29, 2011 Supplemental Scheduling Order

Dear Ms. Paske:

After discussion at its April 29 open meeting, the Commission issued a Supplemental Scheduling Order permitting WEPCO and Domtar to modify their electric and steam capital and operation cost allocation proposal so as to allocate fewer costs or risk to WEPCO ratepayers. WEPCO and Domtar submitted their modification on May 3.

It is unfair and unwise for the Commission to allow WEPCO/Domtar an opportunity to address one of the Commission's concerns – cost allocation -- but not to allow any of the other parties an opportunity to address the many other concerns that make this project so objectionable. It is unfair and unwise to allow the applicant to effectively sweeten the pot on one aspect of this case while failing to require it to address the inadequacies of its biomass

studies, the sufficiency of the wood supply, and the impact of the project on the price of biomass.

Domtar states that “Domtar must stay competitive in a global paper industry and energy is a key manufacturing cost component....Domtar expects to remain competitive by managing risks related to paper manufacturing.....” May 3, 2011 letter. This project has always been a good deal for Domtar. But it is not the Commission’s mission to save aging paper mills at great expense to other paper mills or the ratepayers.

It is unfair and unwise to base a decision in this case on issues designed to maintain Domtar’s competitiveness while ignoring competitive impacts on other paper mills in the area whose well-being – or lack of it -- will have significantly greater impact on its local economy. By increasing demand for biomass by 370,000, other paper mills (denied access to Domtar’s “confidential” data related to biomass harvesting and prices) will be forced to pay higher prices for biomass used at their facilities.

The modified cost allocation fails to address the inadequacy of the existing timber harvesting infrastructure and the increase in biomass prices likely to follow. PCA’s own direct experience demonstrates biomass shortages in the past and predicts price increases in the future.

The modified cost allocation fails to address the likelihood that increased biomass prices will cause biomass users to burn more coal instead and will reduce WPS’ renewable energy portfolio by affecting its renewable energy contract with PCA. PCA/Ridley D-17.8, ll. 1-4; D17.8, ll. 15-18; Confidential Vol. 2, D17.8, ll. 15-18. As soon as the cost of biomass rises to the level of the cost of coal, PCA will have to burn more coal and off-set any benefits the project may offer. PCA/Ridley, D17.6, ll. 20-21; D17.8, ll. 1-4; D17.8, ll. 5-18.

The modified cost allocation fails to address the adverse impact on other communities affected by the increased cost of biomass fuel. Competitive impacts adversely affecting and threatening PCA will affect 426 full-time employees and the largest employer in the Tomahawk vicinity. D17.13, ll. 1-4; D17.13, ll. 14-15; Confidential Vol. 2, D17.13, ll. 14-15; D17.13, ll. 19; D17.14, ll. 1-5; PCA/Ridley, D17.10, ll. 5-13.

The modified cost allocation fails to protect ratepayers against the prospect of Domtar’s closure; nor does it protect Wisconsin citizens and other biomass users from the specter of a utility with no forestry expertise, learning how to harvest woody biomass effectively and efficiently.

“Public convenience and necessity” do not justify this project and, thus, the Commission cannot approve it. Wis. Stat. Sec. 196.49(3)(b); Wis. Adm. Code sec. PSC 112.07(2). Among other things, approving this project will violate state goals, set out in Wis. Stat. sec. 1.12(3)(c),

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of ensuring “a future supply of wood fuel and [reducing] atmospheric carbon dioxide by increasing the forested areas of the state.” Moreover, approving this application will violate sec. 1.12(5) because of the project’s “unacceptable environmental impacts” caused by using the least favor renewable energy resource, biomass.

In making its decision, the Commission is charged with taking into account environmental, forest resources, socioeconomic, and energy-related impacts, direct and indirect. Wis. Stats. secs. 1.11 and 1.12; Wis. Adm. Code. PSC 4.30(1)(b) and (3)(d). The Commission is obligated by law to consider the inadvertent consequences of driving other biomass users to burn more coal in place of expensive biomass. From a regulatory point of view, the modified cost allocation fails to cure the most objectionable aspects of this project:

- WEPCO doesn’t need additional capacity.
- WEPCO doesn’t need additional renewable energy sources.
- The project will inflict unacceptable environmental damage on adjacent neighborhoods and schools.
- The project will increase the cost of woody biomass and cause other biomass users to use more coal.
- The project will have an unknown adverse impact on Wisconsin’s forests.
- The project will initiate unfair competitive advantages within the paper industry.

In short, modifying the cost allocation fails to help WEPCO sustain its burden of proving a “need” for this misguided project.

Very truly yours,

/s/

Linda M. Clifford

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cc: Service list