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**BEFORE THE  
PUBLIC SERVICE COMMISSION OF WISCONSIN**

Joint Application of Wisconsin Power & Light )  
Company, Wisconsin Public Service )  
Corporation, and Madison Gas and Electric )      DOCKET NO. 05-CE-138  
Company for a Certificate of Authority to Install )  
Emissions Reductions Systems at the Columbia )  
Energy Center Units 1 and 2                        )

**REBUTTAL TESTIMONY  
OF DAVID A. SCHLISSEL  
ON BEHALF OF  
JOHN MUIR CHAPTER OF THE SIERRA CLUB**

**OCTOBER 9, 2009**

**Columbia Units 1 and 2**  
**Docket No. 05-CE-138**  
**Rebuttal Testimony of David A. Schlissel**

1   **Q.   What is your name, position and business address?**

2   A.   My name is David A. Schlissel. I am a Senior Consultant at Synapse Energy  
3   Economics, Inc, 22 Pearl Street, Cambridge, MA 02139.

4   **Q.   Have you previously filed testimony in this proceeding?**

5   A.   Yes. I filed Direct Testimony on September 25, 2009.

6   **Q.   What is the purpose of this Rebuttal Testimony?**

7   A.   I will be responding in this Rebuttal Testimony to some of the points made by  
8   PSCW Staff witnesses Koepke and Detmer.

9   **Q.   Do you agree with the conclusion of Staff witness Detmer that “as the  
10      Applicants indicate, it is cost-effective to install the proposed pollution  
11      controls on Columbia Units 1 and 2?”<sup>1</sup>**

12   A.   No. As explained in my Direct Testimony and the Direct Testimonies presented  
13      by Sierra Club witnesses James and Sanzillo and CUB/Clean Wisconsin witness  
14      Hahn, the Applicants have not shown that it would be cost-effective to install the  
15      proposed emissions controls on Columbia Units 1 and 2.

16   **Q.   Do you agree with Staff’s conclusion that the Applicants’ request to install  
17      the controls early in 2013 to allow for flexibility in meeting the cost and  
18      anticipated changes in emissions law is not cost-effective?<sup>2</sup>**

19   A.   Yes. I agree that the Applicants have not demonstrated that the early installation  
20      of the emissions controls is cost-effective. In fact, in the Futures examined by the  
21      Applicants, their Plan 3, which assumes delayed installation of the SO<sub>2</sub> scrubber,  
22      has a lower NPV cost than their Plan 1 or Plan 2 which reflect the early  
23      installation of the emissions control equipment.

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<sup>1</sup>   Direct Testimony of Kenneth J. Detmer, at page 901, lines 9-10.

<sup>2</sup>   Id., at page 901, lines 10-13.

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1       The Applicants' proposal to install the emissions control early is unreasonable  
2       given the significant environmental uncertainties cited by the Applicants  
3       themselves and discussed by Staff witness Koepke and Sierra Club witness James,  
4       as well as the uncertainties surrounding the details and timing of federal  
5       regulation of greenhouse gas emissions.

6       In times of such uncertainty it is better to adopt a flexible plan that can be  
7       modified as circumstances change over time. The Applicants' proposal to spend  
8       \$627 million (without AFUDC) to install emissions control equipment before the  
9       requirements may be finally determined is the opposite of a flexible plan. It would  
10      lock the Applicants and their ratepayers into continuing to pay for the capital and  
11      operating costs of Columbia Units 1 and 2 for many years, perhaps for decades.  
12      As I have discussed in my Direct Testimony, the future operating costs for  
13      Columbia Units 1 and 2 can be expected to include significant CO<sub>2</sub> regulation  
14      costs (e.g., for purchasing emissions allowances in a cap-and-trade regime) over  
15      the units' remaining service lives.

16     **Q. Do you agree with Staff witness Koepke that "forestalling emissions controls**  
17     **for two years may give the Commission more insight into what a future CO<sub>2</sub>-**  
18     **constrained world would look like?"**<sup>3</sup>

19     A. Yes. Waiting two years, or longer, to see how federal regulation develops before  
20       making such a substantial capital investment would be a prudent strategy for the  
21       Commission and for the Applicants' ratepayers. Such a delay also would also  
22       allow the Applicants to examine more reasonable alternatives, including  
23       retirement of less-efficient coal units, for achieving reductions in emissions for  
24       multiple pollutants (including NO<sub>x</sub>, SO<sub>2</sub>, CO<sub>2</sub> and hazardous air pollutants, water  
25       pollutants, and solid waste).

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<sup>3</sup> Direct Testimony of Dennis L. Koepke, at page 912, lines 7-8.

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1   **Q. Do you agree with Staff witness Detmer that it is important to look at the**  
2   **current economic downturn and its effect on the Applicants' forecasted sales**  
3   **and peak demands as part of the EGEAS modeling process?**<sup>4</sup>

4   **A.** Yes. Load and energy sales projections are key variables in resource planning  
5   modeling analyses. Reductions in forecasted load and energy sales as a result of  
6   the current economic downturn, and any long-term factors, will affect the results  
7   of modeling analyses such as the EGEAS runs presented by the Applicants in this  
8   proceeding. Lower regional load and energy sales forecasts also can be expected  
9   to affect the regional energy markets – however, these region impacts are not  
10   accounted for in applicants' EGEAS modeling but should be analyzed.

11   **Q. Do you have any concerns about the revised EGEAS runs presented by Mr.**  
12   **Detmer in this proceeding?**

13   **A.** Yes. I commend him for revising some of the EGEAS runs to reflect reductions in  
14   future energy demands. However, there are a few notable shortcomings in Mr.  
15   Detmer's modeling. First, Mr. Detmer reduced the loads and energy demands in  
16   the Applicants' Future 1, which was a scenario that does not include any CO<sub>2</sub>  
17   monetization – he did not examine a Future in which CO<sub>2</sub> was monetized.<sup>5</sup> As I  
18   discussed in my Direct Testimony, it is unreasonable to assume in any resource  
19   modeling analysis that there will not be any CO<sub>2</sub> regulation costs (i.e.,  
20   monetization) at any point during the remaining service lives of Columbia Units 1  
21   and 2. For this reason, the Commission should not give any weight to the results  
22   of the new analyses presented by Mr. Detmer, other than to accept his correct  
23   observation that reduced energy loads and sales need to be reflected in the  
24   Applicants' EGEAS runs.

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<sup>4</sup> Direct Testimony of Kenneth J. Detmer, at page 901, lines 18-20.  
<sup>5</sup> Id., at page 904, lines 12-15, and Exhibit 900.

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1   **Q. Do you agree or disagree with Mr. Detmer's assumption that each**  
2   **Applicants' energy loads and sales would grow by 0.7 percent per year**  
3   **beginning in 2011?<sup>6</sup>**

4   **A.** I believe it may be somewhat optimistic to assume that the Applicants will  
5   achieve 0.7 percent load and energy growth beginning as early as 2011 . The  
6   economic signs suggest that recovery from the current downturn may be  
7   somewhat slower and, consequently, that load growth may not reach 0.7 percent  
8   or greater until after 2011.

9   **Q. Should the reductions in future loads and energy sales that are discussed by**  
10   **Mr. Detmer also be reflected in the new Futures 11 and 13 EGEAS modeling**  
11   **runs that the Applicants recently have provided to Intervenors?**

12   **A.** Yes. The most current forecasts for future loads and energy sales should be  
13   reflected in all of the EGEAS modeling runs presented by the Applicants,  
14   especially when the Applicants are now presenting such significantly low near  
15   term loads and sales in other proceedings before the Commission.

16   **Q. Have you seen evidence that additional energy conservation and direct load**  
17   **control efforts outlined by the Applicants have been incorporated into their**  
18   **load forecasts, as Mr. Detmer has testified?<sup>7</sup>**

19   **A.** No. As I discuss at length in my Direct Testimony, it is not possible to identify the  
20   levels of energy efficiency and demand side management that WPS and MGE  
21   have included in their EGEAS modeling analyses.<sup>8</sup>

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<sup>6</sup>   Id, at page 905, lines 2-3.

<sup>7</sup>   Direct Testimony of Kenneth J. Detmer, at page 902, lines 9-11.

<sup>8</sup>   Direct Testimony of David A. Schlissel, at pages 25-31.

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1   **Q.   Have you seen any evidence in this proceeding that early retirement of either**  
2   **or both of the Columbia units would negatively affect system reliability?**

3   A.   No. Although Mr. Detmer makes this statement, he provides no analysis,  
4       evidence, or explanation. I have seen no evidence in the record to support his  
5       statement.

6   **Q.   Does this complete your Rebuttal Testimony?**

7   A.   Yes.

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