WMC
WISCONSIN'S BUSINESS VOICE

Attracting & Retaining Jobs: The Importance of Affordable Energy

The Importance of Manufacturing to Wisconsin's Economy

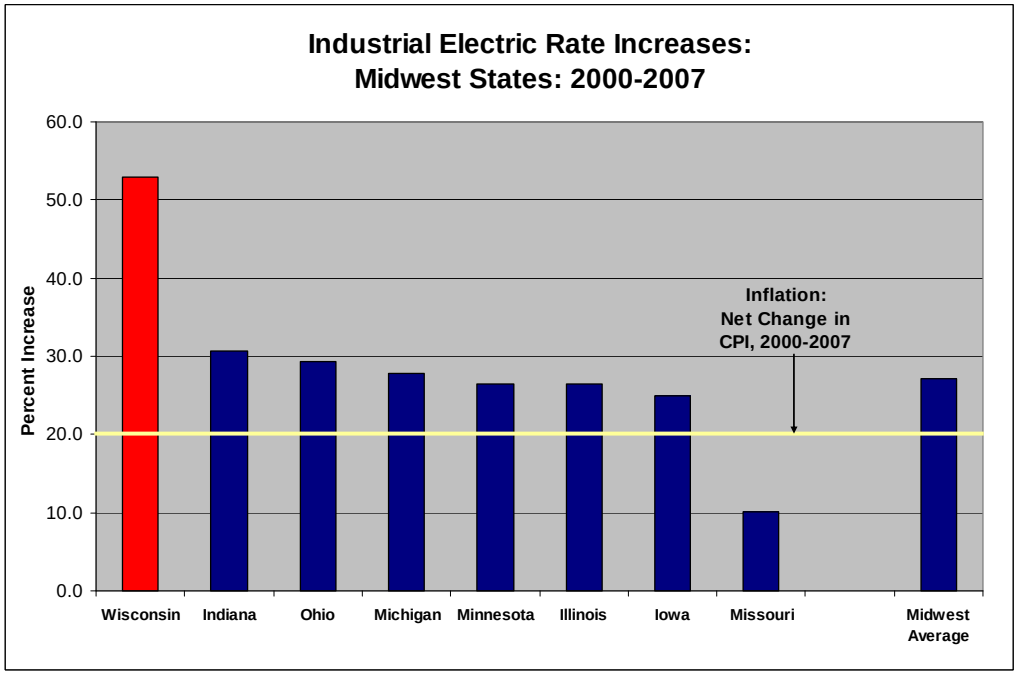
- Wisconsin has the single-most manufacturing intensive economy in the United States.
- Manufacturing jobs have average compensation of $62,959 per year, which is 37% higher than the state average of $45,905.
- In 2008, manufacturing accounted for $48.9 billion in economic output, which is a $20.3% share of Wisconsin's economy.
- Manufacturing accounts for 94% of Wisconsin's exports.
- Unfortunately, we have lost nearly 160,000 manufacturing jobs in the last decade, declining from nearly 600,000 jobs in 2000 to 437,000 in November of 2009.
- The current economic recession has hit manufacturers particularly hard, with more than 60,000 family-supporting manufacturing jobs lost since 2008.

The Link Between Manufacturing & Affordable Energy

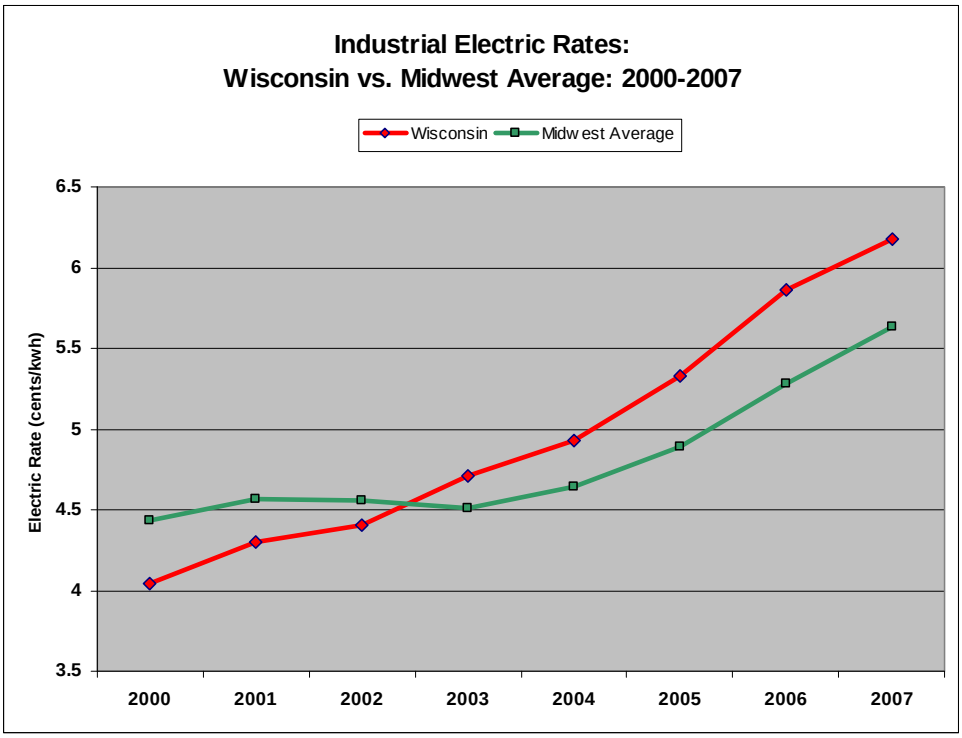
- Manufacturing is one of the most energy-intensive sectors of Wisconsin's economy – industry consumes more electricity each year than residential or commercial electric users.
- Electricity can be as high as 25% of a manufacturer's operating cost, with some manufacturers paying monthly electric bills that exceed $1 million.
- Many manufacturing sectors (the food processing, pulp & paper, and foundry industries, for example) are under intense regional, national and international competitive pressure. Rising energy costs can (and have) force the loss or migration of Wisconsin manufacturing jobs to other states and countries.

Wisconsin Electricity Prices are Trending in the Wrong Direction

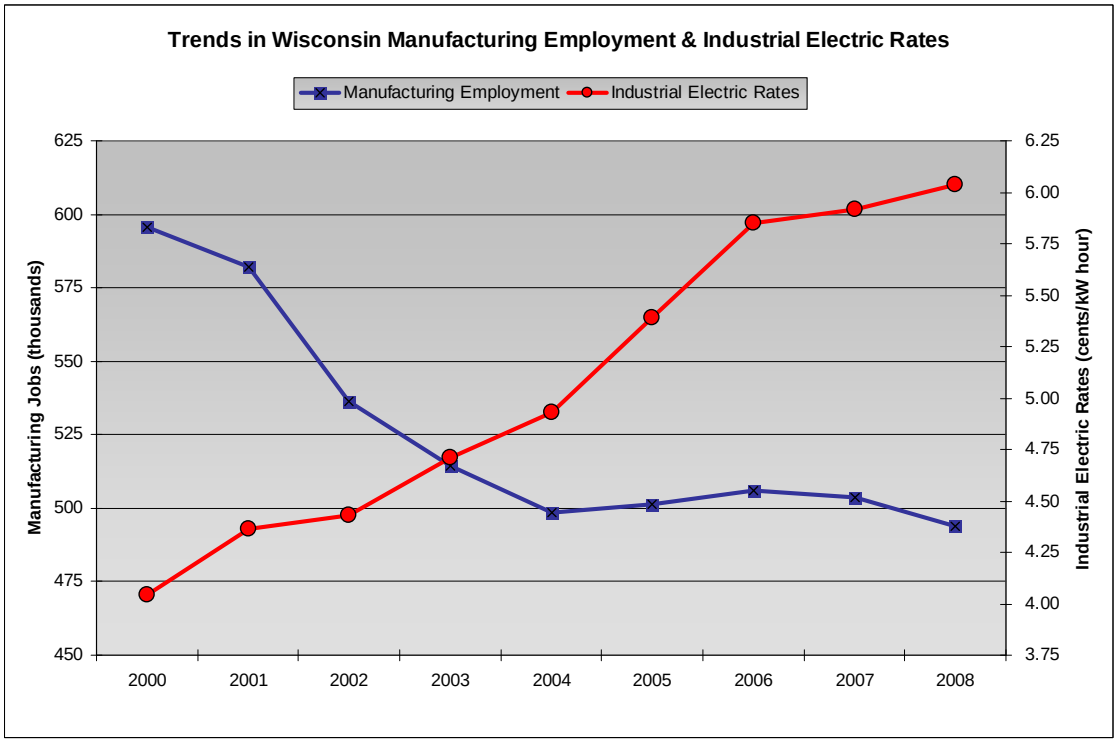
- Industrial electric rates grew by more than 50% between 2000 and 2007 – much faster than any other Midwest state, and more than twice the rate of inflation.



- In 2000, our comparatively affordable electric rates gave Wisconsin businesses a competitive advantage in the Midwest. Since that time, steeply rising electric rates have placed Wisconsin employers at a competitive disadvantage as rates have climbed above the Midwest average.



- There is a link between the affordability of electricity, and Wisconsin's ability to attract and retain well-paying manufacturing jobs. As the cost of electricity has risen, the number of manufacturing jobs has declined.



Wisconsin Global Warming Legislation Will Dramatically Increase the Cost of Electricity, Resulting in Substantial Job Loss

- As noted above, Wisconsin businesses have already felt the shock of higher electric rates -- as rates grew by more than 50%, over 100,000 manufacturing jobs left the state.
- Wisconsin-only global warming legislation like AB 649 and SB 450 will increase the cost of electricity by at least $15 billion to $16 billion with the 25% RPS proposal alone. By comparison, Wisconsin utilities collect roughly $5.5 billion per year in electric rates. The magnitude of the inevitable electric rate hikes will be considerable.
- **The higher energy costs from the Global Warming Task Force Legislation are projected to result in more than 43,000 lost private sector jobs in Wisconsin – primarily from the manufacturing sector.**
- History and common sense dictates that dramatically increasing the cost of energy, as AB 649 and SB 450 do, is not a recipe for creating jobs.

Key Questions

- Wisconsin's electric rates have increased faster than any other Midwest state in recent years. At the same time, Wisconsin has lost more than 100,000 manufacturing jobs. How will increasing the cost of electricity by at least $15 billion with expensive energy mandates help us reverse these trends?

- How much higher and how much faster should electric rates be allowed to increase in Wisconsin as a result of these proposals? Is the ability of residential, industrial and commercial ratepayers to pay higher prices unlimited?

- Should electric bills increase 5% each year? 10%? 15%? 20%? Are double-digit increases in electric bills each year acceptable?

- Was a robust analysis of the economic costs and electric rate impacts of these proposals ever considered? Was the affordability of these proposals ever considered? If not, why not?

- Does significantly increasing the cost of electricity make it more affordable? Does it make our energy more secure?

- What are the reliability implications of a massive-scale investment in interment power sources like wind and solar, which generate electricity only 25% to 30% of the time?