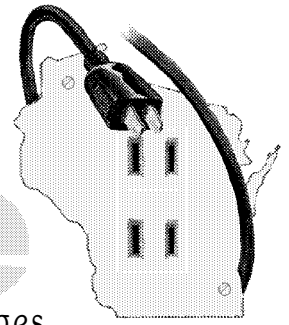


A Coalition
to preserve
Wisconsin's
Reliable and
Affordable
Electricity

Customers First!

the Wire



Plugging you in to electric industry changes

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'12 POWER Breakfast

Register Now!

Register now for the *Customers First!* Coalition's POWER Breakfast at the Madison Concourse Hotel.

The free half-day event is Wednesday, February 15, and welcomes back Deborah Sliz, president and CEO Morgan Meguire, a Washington, D.C.-based consulting firm specializing in issues affecting the electric utility industry. She'll give us an inside-the-beltway look at federal energy issues and how they may play in the 2012 national elections. We will also hear from Public Service Commission Chairman Phil Montgomery and others on how Wisconsin customers have fared in the Midwest wholesale power market.

Convenient online registration is available at www.customersfirst.org or contact CFC Executive Director Matt Bromley at mbromley@customersfirst.org or 608-286-0784.



Deborah Sliz

Wind rules closer, legislated or not

There's been some movement on legislation affecting statewide wind energy-siting rules, but with or without a bill passing, it's almost certain Wisconsin will have statewide standards in place this year.

Recent actions in the State Senate open up the possibility that new rules might be significantly more restrictive than might otherwise emerge from discussions—reportedly ongoing—of revisions to standards finalized in 2010 by the Public Service Commission.

Those standards were suspended last spring by the Joint Committee for Review of Administrative Rules. Bills formally repealing them remain pending in both houses and haven't budged in nine months. If one of those bills is not passed and signed into law by the end of regular legislative business in March, the now-suspended rules take effect automatically.

The repeal measures depart from custom in that, rather than prohibit new rulemaking without specific direction from the Legislature, these bills (AB 72 and SB 50) assign the commission (PSC) to produce new siting standards within six months. But what those new rules might look like is an open question as a result of procedural moves in the Senate.

Early in December, Senate leadership invoked its prerogative to withdraw bills from a committee with the consent of the chair and move them to a different committee. Senate Bills 98 and 263, both authored by Sen. Frank Lasee (R-De Pere), were taken from the Committee on Energy, Biotechnology, and Consumer Protection chaired by Sen. Robert Cowles (R-Green Bay) and referred to Sen. Rich Zipperer's (R-Pewaukee) Committee on Judiciary, Utilities, Commerce, and Government Operations.

Senate Bill 98 had been in Cowles' committee since its May 20 introduction. Senate Bill 263 was introduced and referred there October 28. Neither had received a public hearing.

No hearing had yet been scheduled as of press time for this edition of *The Wire*, and there has been no overt indication whether the bills will now move or continue to lay idle in a new venue. The next scheduled Senate floor period runs from January 17 through


Continued on page 2...

Audits: One done, one on the way

The Legislative Audit Bureau has delivered a positive assessment of the Focus on Energy program. (See Matt Bromley's column for details.) Now another audit is underway, this one looking at low-income energy assistance under the state's public benefits program.

As the Focus audit neared completion last fall, the Joint Audit Committee voted 10-0 to direct a review of heating assistance and weatherization services for low-income households.

Items within the proposed scope of the new audit include the program's effectiveness in reducing fuel usage; its effect on low-income families' financial management and their ability

to work toward economic self-sufficiency; its economic impact in communities served; and how it addresses income verification, eligibility standards, fraud, and abuse. 



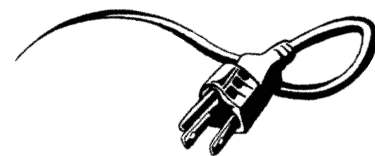
THE WIRE is a monthly publication of the *Customers First!* Coalition—a broad-based alliance of local governments, small businesses and farmers, environmental groups, labor and consumer groups, retirees and low-income families, municipal electric utilities, rural electric cooperatives, wholesale suppliers, and an investor-owned utility. *Customers First!* is a coalition dedicated to preserving Wisconsin's reliable and affordable electricity.

If you have questions or comments about THE WIRE or the *Customers First!* Coalition, please call 608/286-0784.



KEEPING CURRENT

With CFC Executive Director Matt Bromley



Wisconsin's nonpartisan Legislative Audit Bureau recently released an evaluation of the state's energy efficiency and renewable resource programs, known as Focus on Energy. The Legislature's Joint Audit Committee requested the evaluation to determine if the Focus programs, which are funded by utility customers through their electricity and natural gas rates, have been cost-effective for Wisconsin's energy customers.

The bureau's evaluation marks the first time state lawmakers have taken a thorough review of Focus on Energy in its current form after 2005 Wisconsin Act 141 took effect. Prior to Act 141, utilities made payments to the state and the state controlled where the money was spent. Too often the funds were diverted to plug holes in state budgets and used for purposes other than energy efficiency and conservation. To protect the funds from these raids, Act 141 took the state, for the most part, out of the equation. It required the utilities to contract with a third party to administer the programs and to pay the administrator directly. Act 141 also directed the Public Service Commission (PSC) to oversee the programs and contract for independent evaluations and financial audits. Many stakeholders,




Bromley

including the *Customers First!* Coalition, applauded the move to protect ratepayer funds and establish a transparent, verifiable process to administer the programs.

The Legislature's auditors found Focus on Energy, overall, to be a good value for Wisconsin ratepayers. The auditors agreed with estimates by the PSC and independent evaluators that benefits achieved by the Focus programs outweighed the costs. In measuring cost-effectiveness, evaluators compare costs and benefits from a societal perspective. Societal benefits include reducing the need (and costs) to build new power plants and avoiding environmental costs associated with emissions from burning fossil fuels. In 2010 evaluators estimated that program activities resulted in \$281.8 million worth of benefits at a cost of \$122.7 million, or 2.3 to 1.

It was similar cost-benefit ratios that prompted the PSC in December 2010 to request that the Joint Committee on Finance approve a gradual increase in funding for Focus over four years. Although the committee approved the request at that time, the increases were rescinded in the 2011-13 state biennial budget passed in June 2011. Those who supported rolling back Focus funding looked at the proposed increase solely as an energy tax that would result in higher utility bills and discounted the societal benefits cited by the commission, independent evaluators, and now the Legislative Audit Bureau.

The newly released audit can be a useful resource to help policy makers and others make informed decisions about the future of the Focus on Energy programs so they can most benefit Wisconsin's energy customers. Take a look yourself by downloading the report at: <http://legis.wisconsin.gov/lab/reports/11-13full.pdf>. 

Wind rules

Continued from page 1...


the 26th, and there was talk in the latter part of December about 2012 floor action being limited to a handful of days and a handful of subjects. Wind rules weren't mentioned.

Lasee's Senate district includes some of Wisconsin's most favorable areas for wind energy development and he has cited constituent requests for legislation requiring wide separation between wind turbines and residential properties.

One of his bills (SB 98) would lengthen required setback distances to a half-mile between any turbine and the nearest property line.

The other proposal (SB 263) would bar the PSC from any new rulemaking until it receives a report from the Department of Health Services on a study of any linkages between proximity to wind energy systems and health effects on humans and animals.

Under the bill, studies could be solicited anew or developed from a survey of existing peer-reviewed literature and would be required to examine effects of low-frequency sound and shadow flicker at varying speeds.

Senate Bill 263 specifies that no wind energy project of more than 300 kilowatts could be built in Wisconsin before rules developed under guidance from the health studies are finalized. 

High court to hear wind-farm case

The Wisconsin Supreme Court will rule on a challenge by the Citizens Utility Board and the Wisconsin Industrial Energy Group, who contend the Public Service Commission (PSC) should have applied a tougher review standard before allowing Alliant Energy to charge Wisconsin ratepayers for costs associated with a Minnesota wind-energy project.

The case stems from a November 2008 PSC decision that the application by Alliant's Wisconsin Power and Light subsidiary to build

A win for rail customers at the STB

In a case with potential significance for utilities and their customers nationwide, federal regulators have awarded multi-million-dollar reparations to an Arizona electric cooperative overcharged for rail delivery of power-plant fuel.

Urged on by the shippers' group CURE (Consumers United for Rail Equity), the Surface Transportation Board (STB), with oversight responsibilities for freight rail service, has gradually grown more receptive to consumer concerns. (The *Customers First!* Coalition has been an active participant in CURE.)

At the end of November, almost three years after Arizona Electric Power Cooperative (AEP)CO complained to the STB about being overcharged for coal shipments from New Mexico, Wyoming, and Montana, the co-op has won rate relief valued at an estimated \$63 million through 2018.

The dispute arose when the Burlington Northern Santa Fe and Union Pacific railroads presented the cooperative with a take-it-or-leave-it doubling of their rates upon expiration of a previous shipping contract. AEP)CO has no reasonable alternative to the two railroads for obtaining coal deliveries.

The STB concluded that the rates violate federal law—and also that the appropriate rate would be lower than federal law allows the agency to prescribe. The STB ordered the railroads to establish rates no higher than 180 percent of their revenue-to-variable-cost ratio, the statutory minimum. 💡

the Bent Tree Wind Farm would be reviewed not under the Certificate of Public Convenience and Necessity but under the less stringent Certificate of Authority process.

A Certificate of Public Convenience and Necessity (CPCN) indicates the PSC has determined a project is needed to provide Wisconsin customers with electricity, and that its costs and environmental impacts are reasonable compared with alternatives.

The two groups contend the PSC ignored provisions of Wisconsin law saying a utility can't build a power plant of 100 megawatts or more without a CPCN. The PSC had decided on a 2-1 vote in 2008 that the less stringent review was appropriate be-



cause the project is located outside Wisconsin.

In July 2009 the PSC gave the go-ahead for the \$450 million project near Albert Lea, Minnesota, and a month later the two organizations sued. Last January a Dane County court found in favor of Alliant, and the two groups appealed to the 4th District Court of Appeals, which asked the Supreme Court to take jurisdiction. In mid-December, the high court agreed.

The Citizens Utility Board and Wisconsin Industrial Energy Group—which represents the state's 30 biggest electricity users—say the Certificate of Authority review may leave them without any opportunity to provide testimony and legal opinions on a project's appropriateness for providing Wisconsin consumers with electricity at reasonable prices. 💡

No runs, no hits, one error

It doesn't get more definitive than this mid-December headline in the *Columbus Dispatch*, summing up a year-long examination of Ohio's restructured electricity markets: "Deregulation didn't provide anticipated savings."

Details will differ, but the same headline could run wherever electric restructuring has been tried. The lead paragraph of the *Dispatch* story is a concise history of the restructuring movement in America:

"More than a decade after Ohio deregulated its electricity industry, the utilities that were most expensive have gotten cheaper and the cheapest have gotten much more expensive."

When all utilities are factored in, things have gotten more expensive everywhere. The national average of electricity rates has increased since restructuring began in the 1990s, but perhaps more significantly, multiple studies across consecutive years have shown average rates have risen faster in states that restructured than in those that didn't.

The *Dispatch* found that one of Ohio's least expensive utilities, American Electric Power subsidiary Columbus Southern, has seen its average residential price climb to 11.5 cents per kilowatt-hour, compared with the 11.8 cent national average.

There's the rub: The national average has climbed almost steadily over the past decade,

whereas it held largely steady during the prior decade. What changed?

The *Dispatch* lists several things: rising fuel prices, the cost of applying environmental retrofits to power plants, and "pent-up costs because of a rate freeze in the early 2000s."

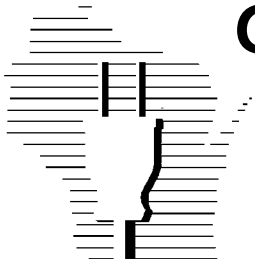
That would be the rate freeze mandated to prevent prices shooting up, so restructuring would look like a success.

But what's impossible to miss in a *Dispatch* graphic is that nationwide, rates hovered around 8 cents throughout the 1990s, started their climb in 1999 about the time a lot of state restructuring laws kicked in, and have since risen to almost 12 cents per kilowatt-hour.

There are those who thought restructuring seemed like a good idea at the time. For the record, we weren't among them. 💡

Energy saver tip

If you're watching your budget like most people, it's prudent to think of a space heater as a device for making big winter heating bills even bigger. They're inefficient and not very effective at heating a room. If there's no better alternative, though, you can get the most out of the device by using it as a "people heater" to provide warmth in a small area. 💡



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to check out the
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Quotable Quotes

"It's still a heck of a bargain."

—American Electric Power (AEP) Chairman Mike Morris, defending the rise in his company's retail electricity rates charged to Ohio customers, quoted in the *Columbus Dispatch*, December 18, 2011

Help us share our messages with others. If you know of businesses or organizations that would like to learn more about protecting Wisconsin's reliable and affordable electricity, please feel free to copy and share with them all or part of this newsletter, or you can call 608/286-0784 to arrange an informational meeting.

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