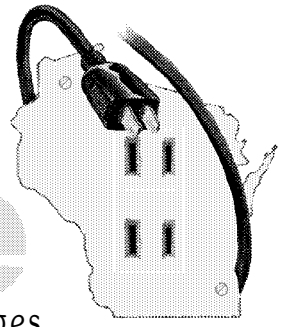


A Coalition
to preserve
Wisconsin's
Reliable and
Affordable
Electricity

Customers First! the Wire



Plugging you in to electric industry changes

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Azar departure to change PSC

The resignation of Lauren Azar, effective June 3, brings unusually rapid change to the Public Service Commission (PSC) of Wisconsin.

In the space of just over two months, the state's independent, three-member utility regulatory panel will have gone from one made up entirely of commissioners appointed by former Governor Jim Doyle to a single Doyle appointee and two members appointed by new Governor Scott Walker.




Azar

Azar, who leaves to take a new post in Washington, D.C., as senior advisor to U.S. Energy Secretary Steven Chu, had almost two full years remaining in her term. New PSC Chair Phil Montgomery, Walker's first appointee to the commission, succeeded Doyle appointee Mark Meyer whose term expired in March.

Customers First! Coalition Executive Director Matt Bromley paid tribute to Azar on announcement of her departure late last month, saying, "The Customers First! Coalition appreciates Commissioner Azar's thorough and balanced approach to the complex issues that came before the Commission."

Azar brought depth of experience to her PSC job, having specialized in public utility law as an attorney in private practice prior to her March 2007 appointment by Doyle.

The change gives Walker a much earlier opportunity than most governors have in putting their personal stamp on the PSC. Commissioners serve staggered six-year terms that overlap the governor's four-year tenure. The sole remaining Doyle appointee, Eric Callisto, is serving a term that expires March 1, 2015. 



Kohl receives his national Distinguished Service Award (above left) from Wisconsin electric co-op leaders, who are welcomed by him regularly in Washington, D.C. (right).

Kohl a friend to customers

In the year and a half before he retires there's still time for productive work on the issues Senator Herb Kohl has championed, but now is an appropriate time to recognize his faithful service on behalf of electricity customers. The four-term Senate veteran announced May 13 that he would not run for re-election in 2012.

Kohl has been a leading proponent of railroad reform legislation sought by *Customers First!* and other member organizations of C.U.R.E. (Consumers United for Rail Equity) because of the impact of monopoly rail shipping costs on utility customers and key Wisconsin industries.


Kohl's reform initiatives have been making progress and it's hoped they can be enacted in the 19 months remaining in the current Congress.

Kohl was honored in 2006 by one of the founding organizations in the *Customers First!* Coalition, the Wisconsin Electric Cooperative Association (WECA). The group presented Kohl with the ACE Award, its highest honor and given only rarely to a non-member, for consistently backing the interests of people served by the consumer-owned utilities on issues relating to the cost and reliability of electricity.

In 2009, the National Rural Electric Cooperative Association followed suit, giving Kohl its

Distinguished Service Award.

A sizeable WECA delegation met with Kohl and his staff in Washington just 10 days before he announced his plans to retire at the end of the current term.

First elected to the Senate—the only public office he's ever held—in 1988, Kohl has served throughout his career as a member of the Senate Judiciary Committee and its Subcommittee on Antitrust, Competition Policy and Consumer Rights. 



At a 2007 CURE meeting, Kohl speaks out on his rail reform legislation.

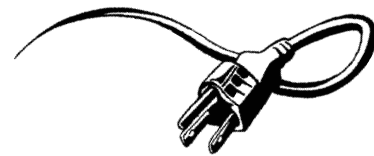
THE WIRE is a monthly publication of the *Customers First!* Coalition—a broad-based alliance of local governments, small businesses and farmers, environmental groups, labor and consumer groups, retirees and low-income families, municipal electric utilities, rural electric cooperatives, wholesale suppliers, 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



A coalition of utilities and industrial customers in Michigan has joined the chorus of state regulatory commissions in the Midwest, including the Public Service Commission of Wisconsin (PSC), in seeking reconsideration of a plan to pay for major transmission projects in the region.

Last December the Federal Energy Regulatory Commission (FERC) accepted a cost-allocation proposal by the Midwest Independent System Operator (MISO), the regional transmission operator that manages the wholesale electricity market in the part of the Midwest that includes Wisconsin. The plan establishes a new category of transmission projects called Multi-Value Projects (MVPs) that are deemed to have broad, region-wide benefits and whose costs would be socialized across the MISO footprint. Projects that could fall into the MVP category are those that enable the delivery of energy in support of energy policy mandates such as renewable portfolio standards, or those that address regional reliability and/or economic issues.

Objections to the cost-allocation plan are generally over who benefits from the transmission projects and who, accordingly, should pay for them. Those calling on FERC to rehear the issue say the policy falls short of protecting customers from paying for projects from which they will receive little or no benefit. In its Strategic Energy Assessment report from earlier this year the PSC states that it “is not opposed to cost-sharing proposals in general, but is seeking reconsideration at FERC to ensure that the cost-sharing method is equitable, and accounts for all of the beneficiaries of new transmission infrastructure.” Members of the Michigan coalition claim ratepayers in their state could be on the hook for 20 percent of the total cost of a transmission build-out in the 13-state MISO region.

In filings with FERC, the PSC and several other state utility commissions say the formula used for measuring costs and benefits of MVPs is flawed and needs to be fixed. The state regulators also want to charge neighboring regions for the benefits they receive from MVP lines built in the MISO region. The argument is that Eastern states using these lines to access Midwest wind resources in order to meet their renewable energy mandates should help pay for them.

FERC hasn't yet said whether it will rehear the decision, but this case raises some important questions as we modernize our nation's electricity grid: What are the roles of federal and state authorities in siting and permitting interstate transmission lines, and perhaps more importantly, who pays? 💡



Bromley

Regulating the regulators

The Federal Energy Regulatory Commission (FERC) has stirred up controversy with an order affecting wholesale electricity markets. One group of consumer-owned utilities says the feds are artificially inflating prices to guarantee a return for independent power producers.

The National Rural Electric Cooperative Association (NRECA) has petitioned for rehearing of a FERC order it says could prohibit generation-owning utilities from using their own capacity to meet their load-serving obligations. Instead, NRECA says, the federal order could force utilities to buy power for resale in an Eastern wholesale capacity market whether they need to or not.

“Gas stations cannot charge customers

who buy electric cars for the gasoline they do not need to purchase,” the national organization's petition said.

Filed last month, the NRECA petition characterizes the issue as “a minor step” that could “fundamentally change the nature of the electric industry in the PJM [Pennsylvania–New Jersey–Maryland] region and potentially throughout the United States.”

The federal order also got the attention of the New Jersey Board of Public Utilities. Board President Lee Solomon said FERC doesn't address “the failure of the PJM market to deliver new capacity” that could cut energy prices and replace old, dirty, and inefficient generation infrastructure. 💡

Putting off offshore

First-quarter construction of wind energy projects this year rapidly outpaced activity for the same period in both 2009 and 2010. The American Wind Energy Association reported 1,100 megawatts of new capacity installed in January through March. The second quarter opened with another 5,600 megawatts under construction.

On the other hand, it's been a rough few months for the industry's offshore element.

Less than three weeks after announcing approval of a construction and operations plan for what would be the nation's first offshore wind project, the Obama administration notified the developers they're no longer being considered for a federal loan.

A letter last month from the Department of Energy (DOE) to Boston developer Energy Management, Inc. (EMI) said the Cape Wind project on Nantucket Sound "is not being terminated; it is being put on hold."

But the DOE made it clear the project could be "on hold" for a long time.

A number of other clean-energy projects are further along than Cape Wind and likely to consume all available loan guarantee funds, the letter said. "Given this reality, we are unable to continue working on your application at this time," the DOE told EMI.

The \$2 billion loan application could be revisited if additional funds become available, the DOE said, but it added: "We must caution you, however, that there is no assurance that we will ever be in a position to continue our evaluation of your project or of the terms on

which we would do so."

It was the latest in a series of setbacks for a segment of the wind industry that's struggling to get a start.

Earlier in May federal officials, responding to fishing industry concerns, cut by more than half—to about 1,300 square miles—the expanse of federal waters off Massachusetts available for leasing by wind developers.

In mid-May, two Rhode Island manufacturers asked their state supreme court to void a contract between regional utility National Grid and Deepwater Wind—a potential rival to Cape Wind for the first U.S. offshore project—saying the cost will drive businesses from the state. National Grid is to pay 24.4 ¢ per kilowatt-hour at wholesale, with an automatic 3.5 percent annual increase.

Also last month, a task force of the federal Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) put huge areas off North Carolina out of bounds for development, cutting available space from almost 10,600 square miles to less than 3,700. The National Park Service may further reduce the area.

In April, Maryland lawmakers punted two bills requiring investor-owned utilities to contract for power from offshore-wind developers. Citing higher consumer costs for energy from offshore facilities, the Legislature set the bills aside for "further study" before adjourning its annual session.

In February the Province of Ontario, with shoreline on four of the five Great Lakes, ruled



out offshore wind projects and suspended pending applications.

In Michigan, county commissioners last fall rejected a \$4 billion development plan. Offshore wind-siting legislation is stalled, and two lawmakers have introduced a bill prohibiting wind farm development in their state's Great Lakes waters.

Little has been heard of Great Lakes offshore development in Wisconsin waters since a 2009 special study group led by departing Commissioner Lauren Azar reported to the PSC with concerns over high construction, operation, and maintenance costs. 💡

Michigan's competing numbers

There are still those who advocate electric utility restructuring and they still say there's not enough competition in the markets. But that begs the question: Why do competitive retail electricity markets always seem to lack sufficient competition?

Michigan has a "staggering" level of pent-up demand for electric competition, according to Constellation Energy Group Vice President David Fein, writing for *The Detroit News* this spring. The past year saw a 38-percent increase in commercial and industrial customers served by competitive power providers, said Fein, whose Maryland-based company wants more of the action.

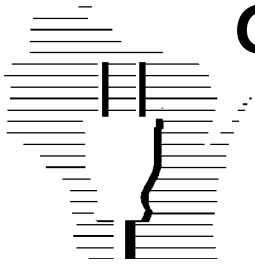
But Michigan law caps competitive access at 10 percent of the market, and Fein says that cap was reached years ago. So which way is it?

Surely it's true that new generation, which competition was supposed to attract and which was supposed to lower prices, hasn't materialized in Michigan. The answer may be that so-called competitive markets, so intricately arranged, are too easy to game.

The best arguments for traditional utility regulation are made by those who have abandoned it. 💡

Energy saver tip

If you're among the growing number of people doing office work in your home, be sure to enable the low-power features found on much electronic equipment. It's also good to make a habit of shutting that equipment off when it's not being used. And look for the efficient monitors, printers, and computers with the Energy Star trademark. 💡



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Be sure
to check out the
Customers First!
website at



www.customersfirst.org



Quotable Quotes

"It is our duty to protect New Jersey's ratepayers. I do not believe that New Jersey forfeited its sovereignty when PJM became the regional transmission operator."

—New Jersey Board of Public Utilities President Lee A. Solomon, on his views regarding the shortcomings of the Pennsylvania–New Jersey–Maryland wholesale power market, in a board statement issued April 13, 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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Plugging Wisconsin In

