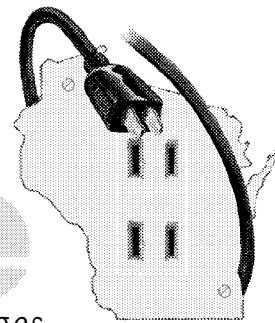


A Coalition
to preserve
Wisconsin's
Reliable and
Affordable
Electricity

Customers First!

the Wire



Plugging you in to electric industry changes

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Transmission project on federal fast track

A major interstate transmission project that includes about 150 miles of new line in Wisconsin is one of seven that a group of federal agencies say they've put on a fast track for regulatory approvals.

In October, the Department of Energy (DOE) announced that it and eight other federal agencies are expediting review of the segment of the CapX2020 transmission projects proposed to run from Hampton and Rochester, Minnesota, to La Crosse.

The approximately 125-mile project is to include a single-circuit 345-kilovolt line crossing the Mississippi River into Wisconsin at Alma and proceeding to a substation at the Village of Hol-

men. The line's capacity would be equivalent to the largest currently operating in this state.

Two routes have been proposed for the Wisconsin portion of the line. One would follow the Mississippi and the other would head straight east from Alma to a point near Arcadia then turn south to Holmen. Application for a Certificate of Public Convenience and Necessity was filed with the Wisconsin Public Service Commission in January. Regulatory applications for the Minnesota elements of the project were filed in August 2007.

In mid-October, the DOE issued a press release saying it was "announcing job-creating grid modernization pilot projects" and listing

Hampton-Rochester-La Crosse as one of seven projects nationwide on which the administration would "accelerate permitting and construction."

"The projects will serve as pilot demonstrations of streamlined federal permitting and increased cooperation at the federal, state, and tribal levels," the DOE said.

"Adding necessary transmission infrastructure will integrate renewable electricity sources into the grid, accommodate the growing number of electric vehicles on America's roads, help avoid blackouts, restore power more quickly when outages occur, and reduce the need for new power plants," the DOE said.

Regulatory hearings on the Wisconsin portion of the project are to be held early in 2012, with a decision by June 4. ⚡

Railroad buyout draws rate scrutiny

The Burlington Northern Santa Fe Railroad Company (BNSF) sold for about \$7.6 billion more than its book value last year, and federal regulators are looking into the question whether shippers of bulk material like power-plant fuel, and ultimately, their customers, can be made to cover that premium through shipping rates.

The U.S. Surface Transportation Board (STB) this fall launched an inquiry into the 2010 purchase of the BNSF by Warren Buffett's Berkshire Hathaway.

Ruling at the end of September on a petition by the Western Coal Traffic League, the STB announced it is soliciting public comment to open a proceeding that will determine whether the multi-billion dollar premium paid above book value can appropriately be factored in as a component of rates charged to shippers.

Glenn English, CEO of the National Rural Electric Cooperative Association and chair of the railroad reform group CURE (Customers United for Rail Equity) said BNSF has been "attempting to exploit loopholes" by building the premium cost into its rate calculations.

CURE, in which the *Customers First!* Coalition is an active participant, and the NRECA have filed comments in support of the Western Coal Traffic League's (WCTL) petition.

WCTL contends that including the \$7.6 billion premium in the railroad company's net investment base for federally regulated Uniform Rail Costing System purposes effectively establishes a higher rate floor.

The result, according to WCTL, is twofold: It raises the rate threshold that could trigger the STB granting relief to shippers, and it reduces the number of shippers who would have some prospect of success in asking the STB to review rate-related complaints. ⚡



Still crazy after all these years

More than a decade ago, Wisconsin electricity customers dodged a very large bullet.

A weak transmission infrastructure flirting with unreliability, early signs from other states that electric restructuring wasn't living up to its promises, and political leaders willing to see—whether or not they liked the idea of restructuring—that a period of prudent delay was called for, combined to let Wisconsin discreetly climb down off the bandwagon.

Good idea. A quick search of our archives shows we first wrote in the spring of 2006 about Maryland's dream of electric restructuring turning into a nightmare. The shocking situation of those days is now merely an unsatisfactory one. And if the runaway bandwagon hasn't altered course 180 degrees, it certainly lurched in that direction this fall.

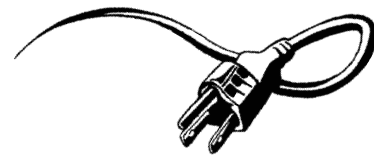
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THE WIRE is a monthly publication of the *Customers First!* Coalition—a broad-based alliance of local governments, small businesses and farmers, environmental groups, labor and consumer groups, retirees and low-income families, municipal electric utilities,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

The concept of using utility rates for economic development incentive purposes has attracted the attention of state lawmakers and utility regulators.

Back in May, legislation was introduced to authorize the Public Service Commission of Wisconsin (PSC) to approve temporary discounted electric rates for large energy users that meet certain criteria. The bills (Senate Bill 102 / Assembly Bill 145) received public hearings in both legislative chambers and Governor Walker included the legislation as part of his call for a special legislative session focused on creating jobs.




Bromley

Meanwhile, the state's utility regulators gave the go-ahead to Wisconsin Power & Light to apply an economic development tariff for one of its biggest users of electricity, Mercury Marine. Under the contract, the utility would provide the Fond du Lac-based boat motor manufacturer with a 24.5-percent discount on its electric bills in the first year and a declining discount percentage over the remaining five-year contract contingent on the company sustaining a base level load.

It's understandable that in tough economic times, policy makers look for ways to attract and retain jobs. Certainly energy costs are one factor that a current or prospective employer considers when deciding if, and where, to expand. But, as was expressed in this column earlier this year, providing certain customers a discount on utility rates must be done carefully and applied narrowly so the costs of the discounts are not borne by other ratepayers.

In testimony before the Senate and Assembly utilities committees, the *Customers First!* Coalition (CFC) questioned whether legislation to allow discounted rates is needed. The CFC pointed to the many tools the PSC has available to help Wisconsin utilities reduce the energy costs for large industrial companies. These tools are designed and implemented within the framework of our current statutory and regulatory requirements that all utility rates be fair, just, and nondiscriminatory.

The CFC recognizes that despite the ample statutory authority already provided to the PSC to incentivize economic growth through innovative rate design, lawmakers may continue to see a need for a legislative response. Therefore, the CFC provided the committees with specific recommendations for economic development rate legislation that would minimize the risk that other ratepayers would subsidize the costs of the discount. The CFC's position statement and specific design criteria are available at: <http://www.customersfirst.org/legislative.html>. 

Still crazy

Continued from page 1...


An October column by Jay Hancock of the *Baltimore Sun* describes how Maryland regulators for all practical purposes ordered the state's biggest utilities to put out requests for proposals to build major new generation assets, enter long-term contracts to buy the power they produce, and fold the costs of the new plants into retail customers' bills.

This is in response to inadequate in-state generation contributing to unacceptably high prices; so it makes sense, right?

Yes, but in a world Maryland said goodbye to back in the 1990s. Restructuring was supposed to move incumbent utilities out of the generation business and into the business of delivering energy produced by a legion of en-

trepreneurs eagerly competing to sell power at rock-bottom prices.

For a variety of reasons, many of those entrepreneurs went out of business or never showed up in the first place. Result: little competition, tight supply, high prices. If the Maryland Public Service Commission's action isn't precisely a return to the traditional, vertically integrated utility business model, it's a mighty convincing move in that direction.

Don't take our word for it. Treat yourself to Jay Hancock's column, a gem of a five-minute course in the expectations and disappointments of electric restructuring. Find it at http://articles.baltimoresun.com/2011-10-03/business/bs-bz-hancock-bge-reregulation-20111003_1_electricity-deregulation-maryland-suppliers-plants. 

Transmission cost allocations reaffirmed

After a lengthy rehearing process, federal regulators last month reaffirmed their approval for transmission cost allocation proposals assigning responsibility for the costs of widespread upgrades to the nation's transmission grid. Some stakeholders aren't convinced the allocation proposals are fair.

Those concerns came through clearly in testimony presented at an October 13 congressional hearing.

A group called the Coalition for Fair Transmission Policy (CFTP) told the House Committee on Energy and Power that the costs of new transmission lines—many of which are expected to be built from the Great Plains to the Eastern Seaboard—must be allocated proportionally to the benefit customers receive.

The CFTP, comprising mainly large utilities with service areas from Michigan to the East Coast and the South, is specifically concerned with how federal regulators will define "benefits."

CFTP representative Steve Transeth testified that the Federal Energy Regulatory Commission (FERC) has left the door open to "extremely broad definitions that result in unfounded conclusions that everyone benefits from new transmission and all should pay."

Another witness was Glenn English, former Oklahoma congressman and CEO of the National Rural Electric Cooperative Association. English noted that in trying to head off beneficiaries of new transmission escaping its costs altogether—"free riders"—the FERC assumes the authority to allow a utility to charge transmission costs to entities that aren't even receiving transmission services from that utility.

If that provision stands, he said, "There is no logical end" to where the FERC could assign costs.

Making the argument for urgency in getting things built was Lauren Azar, former member of the Public Service Commission of Wisconsin

and now senior adviser to U.S. Energy Secretary Steven Chu.

"To propel this nation forward in the global economy we must build a grid for the 21st century and we must build it fast. While in some corners of this nation we have the grid of the late 20th century, in others it is only the early 20th century," Azar said.

A long way to catch up, and depending on who you listen to, a long way to go in getting things right. 💡

Save the date!

The *Customers First!* Coalition annual spring POWER Breakfast comes early in 2012. It's scheduled for February 15 at the Madison Concourse Hotel. Details will follow in future editions.

California blackout could bring heavy fines

A 12-hour blackout affecting customers in three southern California counties and parts of Arizona and Mexico last month could put San Diego Gas and Electric and Arizona Power on the hook for millions of dollars.

We say that based on the \$25 million fine levied against Florida Power and Light in 2008 after an employee foul-up triggered a blackout affecting more than 900,000 customers. Federal regulators were demonstrating seriousness about

exercising the new reliability enforcement powers they acquired after the big August 2003 blackout in eight Northeastern states. Some observers think they may want to make another such demonstration.

There is some doubt, however, as to who has liability.

It seems to be established that an Arizona Public Service worker caused a short that tripped off a major transmission line into California. If only it had ended there.

Instead, the drop in voltage caused the San Onofre nuclear plant to disconnect to protect its own systems. San Diego County was left without any external

power sources and local generators tripped off in response. Well over 1.4 million customers in that county alone went dark.

An investigation is underway to determine liability. The *North County Times* of Escondido said the probe would likely examine "potential problems with employee training, poor execution of safety protocols, or bad equipment maintenance."

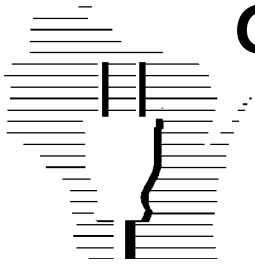
The newspaper also quoted a utility law expert saying it's too soon to tell who is on the hook, because if the stresses caused by the original incident exceeded the design capabilities of the various systems down the line, they may not be liable.

Whatever the regulators decide, lawsuits are already in the works. 💡

Energy saver tip

No doubt you've heard about shifting summertime use of clothes dryers and dishwashers to nighttime to avoid heating up your house and making the air conditioning work harder. It works in cold weather, too, when a little extra heat overnight can be a favor to your furnace. Besides, it's never a bad idea to shift some usage to hours when your utility probably doesn't have to meet peak demand. 💡





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Be sure
to check out the
Customers First!
website at



www.customersfirst.org



Quotable Quotes

“The market has failed to deliver many of deregulation's promises. It's time for Maryland to take control of its energy fate and move in the opposite direction, if only a little.”

—Columnist Jay Hancock lamenting the unsettled and unsatisfactory state of utility restructuring, in the *Baltimore Sun*, October 3, 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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