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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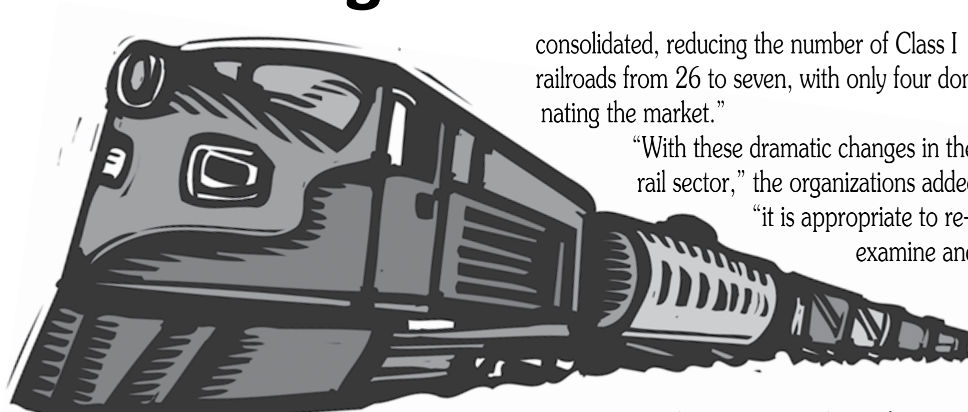
Riding the Rails

Industry groups ask for congressional rail reform



A major component of any retail customer's cost of electricity is the cost their energy provider has to pay to have generation fuel delivered. That's why the *Customers First!* Coalition and allied organizations have been actively pushing back against rising freight rail rates, and why the same groups are now asking Congress to go beyond the positive but modest steps taken so far by federal regulators at the Surface Transportation Board (STB).

To that end, more than two dozen industrial concerns and trade associations this spring made a written request to the top leaders of the House of Representatives, asking that they step in and expand on "incremental" reforms adopted by the STB with the goal of increasing freight rail competition.

Among 27 entities appealing to Speaker John Boehner (R-OH) and Minority Leader Nancy Pelosi (D-CA) were the American Public Power Association, the Wisconsin and National Rural Electric Cooperative Associations, Dairyland Power Cooperative, and BadgerCURE (Consumers United for Rail Equity).

Citing what they called "the vast transformation that has occurred throughout the rail industry" since deregulation under the 1980 Staggers Act, the organizations noted that "freight traffic has nearly doubled, investment in rail infrastructure has increased, and the economic strength of railroads has greatly improved. At the same time, the rail industry has consolidated, reducing the number of Class I railroads from 26 to seven, with only four dominating the market."

"With these dramatic changes in the rail sector," the organizations added, "it is appropriate to re-examine and modernize our regulatory framework to meet present and future needs.

Most shippers lack access to competitive service, resulting in railroad rates rising almost three times faster than inflation and trucking rates, the groups said. They told Boehner and Pelosi the STB has "adopted some incremental improvements," but "congressional action is needed now to further promote economic vitality and growth" for both the railroads and their customers.

South of the border...

The Illinois Citizens Utility Board (CUB) is warning about schemes and rip-offs in that state's competitive retail electricity markets. Meanwhile, *Crain's Chicago Business* is reporting that many Chicago residential customers are going to see higher bills under the city's new aggregation contract with Integrys Energy.

In a report released last month, CUB said complaints from January through April more than doubled compared with the same period last year.

Prices charged by non-utility suppliers are averaging about 20 percent higher than a year ago, CUB said, while acknowledging there are opportunities for Chicago-area customers to save by switching away from the incumbent utility, Commonwealth Edison. A major concern, CUB said, was that advance news of a June 1 rate increase might stampede customers into contracting with alternative suppliers for deals that turn out not to be money-savers.

Variable rates that can change from one month to the next are turning out to be the bane of consumers. At the same time the CUB report was issued, the *Chicago Tribune* reported that Commonwealth Edison was charging about 5.5 cents per kilowatt hour, due to increase to 7.6 cents this month. That's a 39 percent increase and stated in those terms, it might prompt ComEd customers to

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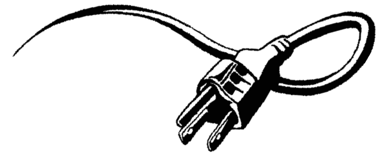
THE WIRE is a monthly publication of the *Customers First!* Coalition—a broad-based alliance of local governments, small businesses and farmers, environmental groups, labor and consumer groups, retirees and low-income families, municipal electric utilities, rural electric cooperatives, wholesale suppliers, 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 Public Service Commission of Wisconsin recently issued a draft Strategic Energy Assessment (SEA) that offers readers a look at trends and issues affecting the state's electric industry.

One notable trend is Wisconsin's growing reliance on natural gas to generate power. Since the last SEA issued in 2012, the percent share of total electricity generation fueled by natural gas doubled from 9 to 18 percent, while coal-sourced generation dropped from 63 to 51 percent. Lower natural gas prices and environmental regulations are two major drivers of the switch to natural gas that's happening in Wisconsin and nationally. The federal government predicts that by 2035 natural gas will overtake coal as the nation's primary power generation source.

Bromley

Wisconsin is also more or less in line with the rest of the nation when it comes to demand for electricity. The SEA reports that Wisconsin providers expect a modest increase in peak demand growth of between 0.5 and 1.2 percent a year through 2020. Nationally, electricity demand growth is predicted to be relatively low, around 1.0 percent, as rising demand for electric services is offset by efficiency gains from new appliance standards and investments in energy-efficient equipment.

Even if there is an unexpected surge in demand, Wisconsin should be well-suited to keep the power flowing. The SEA notes that "Wisconsin utilities have prioritized generation construction and enjoy a healthy planning reserve margin and adequate capacity." The Commission requires utilities to have a 14.5 percent power supply reserve margin, yet with all the new generation that came online over the past 10 years and moderate demand growth, reserves are expected to be well above required levels through 2020.

New to the SEA is information to help readers get a more complete picture of electricity costs in Wisconsin. Historically, the SEA compared Wisconsin's electricity rates (cents per kilowatt hour) with other states in the Midwest. The current SEA includes a comparison of bills, in addition to rates, and concludes that, "despite slightly higher than average electric rates, Wisconsin residential customers have the third smallest monthly electric bill when compared to neighboring Midwestern states."

You can read the SEA and leave a comment by visiting the Commission's website at: http://psc.wi.gov/. A public hearing on the report will be held Tuesday, July 15, at 1 p.m. at the Public Service Commission in Madison.

Bouldly going...

After years of wrangling, it appears the City of Boulder, Colorado, is irrevocably on course to take over Xcel Energy's local infrastructure and establish its own municipal utility, dedicated to providing more renewable energy. Oh…did we say *after* years of wrangling? There's still some litigation ahead.

The city is negotiating for purchase of the Xcel infrastructure as it's required to do before it could move to take it by condemnation under eminent domain laws. But some of the assets the city plans to acquire lie outside Boulder's municipal boundaries, and last month attorneys for the city went to court claiming the Colorado Public Utilities Commission (PUC) can't intervene in the matter.

Late last year the PUC claimed jurisdiction over which Xcel assets the city can condemn. Local activists and Boulder government officials, dissatisfied with the percentage of green energy in Xcel's mix, have been pursuing municipalization for several years. But the commission said it could disallow a takeover of substations and transmission lines outside the city limits based on system reliability concerns.

Boulder attorneys argue that the commission's ruling violates the city's home rule authority. The *Boulder Daily Camera* reported in mid-May that the city attorney cited not only the effect on Boulder's proposed actions but also potential similar initiatives by unnamed other communities.

Xcel is not a party to the case, which is limited to Boulder's appeal of the PUC decision. But the *Daily Camera* reports that Xcel has formally intervened and plans to file a response June 25, when the PUC is also due to respond.

You *can* go back home?

Back when electric restructuring was all the rage, some regulated utilities were saying they couldn't wait to get into the non-regulated merchant energy game. More recently, the flow has been in the opposite direction and now Chicago-based Exelon, a big player on both sides of the regulated/non-regulated divide, is eyeing future profits through the acquisition of Potomac Electric Power Company and its regulated utility holdings.

The international economic consultants at SNL Energy noted that investor-owned utilities are continuing to divest merchant businesses, and "other companies dominated by merchant operations might be looking to focus on more regulated operations as well."

Buying Potomac Electric (PEPCO) Holdings, SNL reported, would increase Exelon's regulated electric operations by almost 1.8 million customers in Delaware, Maryland, New Jersey, and the District of Columbia. Re-emphasizing its regulated utility business, Exelon would be not only going back home again, it would be coming back to a house that's bigger than ever.

South of the border

Continued from page 1...

grab almost any available deal—but—the highest variable rates in the Chicago area as of the first week in May, charged by four different non-utility providers, ranged from 10 cents to 15 cents per kilowatt hour.

The bitter cold winter spelled trouble for variable-rate customers, some of whom found their bills quadrupled from month to month, the *Tribune* said.

Meanwhile, *Crain's* reported that for residents of single-family homes, a deal negotiated by the Emanuel administration with Integrys Energy for supplying power to residential and small business customers will cost more than ComEd's rates.

Crain's noted that CUB Executive Director David Kolata acknowledged the Integrys deal saved money for all customers during its first 15 months, but that now, anyone using fewer than 900 kilowatt hours monthly would be better off going back to ComEd.

The Pittsburgh Defense

It's not about football. It's about major rate increases, effective June 1, for retail customers of electric utilities serving Pennsylvania—and ranging from almost 24 to more than 51 percent in the western part of the state. Last month the Pennsylvania Public Utility Commission (PUC) suggested the customer's best defense is to get out of the way.

PUC estimates last month had Duquesne Power, serving the Pittsburgh area, increasing rates 23.8 percent June 1. Penn Power rates were set to increase 30.9 percent and West Penn, serving areas just north of Pittsburgh, was to increase rates 51.5 percent. The PUC suggested that customers bail out of incumbent utility service and switch to a non-utility provider.

There are just two problems with that.

First, while the commission is undoubtedly correct that customers can escape the immediate impact of the rate increases, there's little reason to believe it will be for the long term. The rates are rising because the PUC regulates the utilities' distribution charge but not the generation charge, which rises and falls with fuel costs and the wholesale market prices utilities have to pay in a restructured environment where they don't own generation facilities.

Second, the non-utility competitors are in the same boat. They buy on the wholesale market too, and have to account for fuel price changes and market volatility. And under the variable rate plans they offer, those conditions are certain, at some point, to trigger the kind of enormous electric bill increases that had Pennsylvania lawmakers up in arms at the end of the winter.

Electric restructuring back in the 1990s was supposed to exert market discipline, with competition holding prices down. But by making the impact of fuel price volatility immediate instead of stretching it out over time as under traditional utility regulation, restructuring has led to sudden shocks for customers and driven smaller competitors out of the market, eroding the vaunted market discipline.

Federal funding announced for offshore wind

Hoping to jump-start development of offshore wind energy, the U.S. Department of Energy (DOE) last month announced funding for three projects, two on the Atlantic coast and one on the Pacific, to be brought on-line within the next four years.

The DOE in mid-May identified three offshore projects—in New Jersey, Oregon, and Virginia waters—it has picked to receive as much as $47 million each over the next four years, to deploy grid-connected systems by 2017.

A fourth project off the coast of Maine was listed as the runner-up and would join the list if additional money becomes available, the DOE said.

Grant recipients include Fishermen's Energy, for five, 5-megawatt turbines three miles off Atlantic City, New Jersey; Principle Power, for five, 6-megawatt turbines on floating foundations 18 miles off Coos Bay, Oregon; and Dominion Virginia Power, for two, 6-megawatt turbines 26 miles off Virginia Beach to test a "hurricane-resilient" design.

DOE Secretary Ernest Moniz called offshore wind "a large, untapped energy resource... that can create thousands of manufacturing, construction and supply chain jobs across the country and drive billions of dollars in local economic investment."

Energy saver tip

Try setting your central air conditioning fan switch to "on" instead of letting it switch itself off and on automatically. This—perhaps counterintuitive—practice won't cost you a lot and it will keep circulating cool air that would otherwise stay in the ductwork, lengthening the time that the more demanding compressor doesn't need to run.

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Be sure to check out the *Customers First!* website at

www.customersfirst.org

Quotable Quotes

"Because under current regulations it can take between 11 and 40 days to switch electric suppliers, customers who do opt to make a change will still feel the impact of the June 1 utility rate increase."

—May 13, 2014 press release from the Pennsylvania Public Utility Commission, warning of pending major rate hikes and possibly prompting customers to wonder about the responsiveness of their restructured electricity market

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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