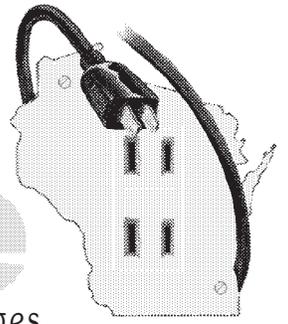


A **Coalition**  
to preserve  
Wisconsin's  
Reliable and  
Affordable  
Electricity

# Customers First!

## the Wire



Plugging you in to electric industry changes

608/286-0784 • P.O. Box 54 • Madison, WI 53701 • [www.customersfirst.org](http://www.customersfirst.org) • JANUARY 2010 • Vol. 15, No. 1

## PSC ponders wind-farm funding

A Chicago-based developer wants a utility to fund construction of a 100-turbine wind farm, but the utility is reluctant. State regulators are sorting it out.

Wisconsin's Public Service Commission (PSC) will decide whether Milwaukee-based WE Energies should put up the money for Invenergy LLC to build the proposed Ledge Wind Farm near Green Bay.

Milwaukee's *Daily Reporter* said last month that Invenergy, which is not a utility, expects the PSC to approve its proposal for the Ledge project in Brown County but might have difficulty coming up with cash up-front to build it.

A long-term financing commitment is crucial, Invenergy officials say, and they're looking to a purchased-power agreement, under which WE Energies would buy electricity generated from the Invenergy project.

With that in mind, Invenergy has asked the PSC to bring the Ledge project into its review of WE Energies' proposed Glacier Hills Wind Farm in Columbia County, tying approval of Glacier Hills to a requirement that WE Energies also buy power from the Ledge.

Glacier Hills is expected to cost more than



\$400 million. The cost estimate for the Invenergy project hasn't been disclosed.

Invenergy maintains the utility will need purchased power agreements to meet its state-mandated renewable energy quota, now 10 percent by 2015 and possibly soon to be expanded and accelerated by state and/or federal climate legislation.

WE Energies agrees it will need purchased power agreements but objects to having regulatory permission to build its own wind farm tied to one.

Invenergy is not new to Wisconsin. It has built other wind facilities in the state and has several purchased-power agreements with Wisconsin utilities. 💡

## Waiting for the payoff

Some Pennsylvanians are hoping to see a revival of electric competition as rate caps expire and electricity prices shoot skyward. Cross your

fingers. Hold your breath. Good luck.

We've had quite a bit to say about Pennsylvania's electric restructuring over the years; it has arguably been the most interesting case study among the states that took the plunge. And it is now at a crossroads.

Legislated caps on retail electricity prices ended as of December 31. Allentown-based PPL, a dominant Pennsylvania utility, was expected to raise rates about 30 percent. There are alternative providers available and some customers are switching. The City of Allentown, for instance, has dropped PPL as its power provider after making a better deal with two providers based in Florida and Maryland.

What's waiting to be demonstrated,

### ***Save the Date!***

## **Register now for this free Customers First! annual event**

Registration is now open for the *Customers First!* POWER Breakfast at the Concourse Hotel in Madison on February 3. The free event offers the opportunity to hear from distinguished experts and policy makers on pending federal and state climate change legislation.

Registration is available online at [www.regonline.com/cfcpowerbreakfast](http://www.regonline.com/cfcpowerbreakfast). More information on the half-day event is available from *Customers First!* Executive Director Matt Bromley at 608-286-0784 or by e-mail to [mbromley@customersfirst.org](mailto:mbromley@customersfirst.org).

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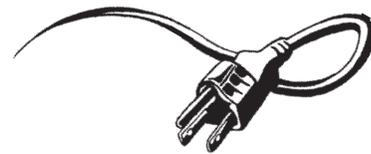
THE WIRE is a monthly publication of the *Customers First!* Coalition—a broad-based alliance of local governments, small businesses and farmers, environmental groups, labor and consumer groups, retirees and low-income families, municipal electric utilities, rural electric cooperatives, wholesale suppliers,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



Comprehensive legislation that incorporates many of the policy recommendations from the Governor's Task Force on Global Warming was finally unveiled last month. The *Customers First!* Coalition closely followed the Task Force's work from its first meeting in May 2007 through the release of its final report and recommendations in July 2008. We commended the Task Force for following an open, consensus-driven approach to develop a balanced package of policy recommendations to reduce greenhouse gas emissions in Wisconsin.

Since those recommendations were made, four legislators—Senator Jeff Plale, Senator Mark Miller, Representative Jim Soletski, and Representative Spencer Black—who head the Legislature's committees with jurisdiction over the subject matter, have been working with Task Force co-chairs Roy Thilly and Tia Nelson as well as members of the governor's administration to put the Task Force recommendations into legislation. When presenting the draft last month, the four legislators said it is intended to track the recommendations of the Task Force. They also said that changes are likely as the legislation works its way through the legislative process.

The legislation follows the Task Force recommendations in several areas. It establishes a goal to reduce greenhouse emissions by 2050 to at least 75 percent less than emissions in 2005, expands the state's energy conservation and efficiency program, enhances the renewable energy standards to 25 percent by 2025, and modifies the state's nuclear-plant "moratorium" law. It also beefs up building codes to make buildings more energy efficient, sets stricter vehicle emission standards, and prepares Wisconsin to act on low-carbon transportation-fuel standards that are designed in collaboration with other Midwestern states. Not included in the draft is a state cap-and-trade program—its omission consistent with the Task Force's preference for a federal program.

Expect vigorous debate in the Legislature over the next few months as legislators, interest groups, and the public weigh in.

A copy and description of the legislative draft are available on the Legislative Council's web site at [www.legis.state.wi.us/lc/publications/climate/index.htm](http://www.legis.state.wi.us/lc/publications/climate/index.htm). The legislation will be a topic of discussion at the *Customers First!* Coalition's POWER Breakfast on February 3 in Madison, Wisconsin. Information about the free event is provided elsewhere in this edition of *The Wire*.💡



Bromley

## DOE allocates big bucks for carbon-capture projects

The U.S. Department of Energy has announced it will award more than \$3 billion, partially financed with federal economic stimulus funds, to accelerate carbon capture and sequestration projects in West Virginia, Alabama, and Texas.

An early-December announcement from Energy Secretary Steven Chu said the money would "accelerate the development of advanced coal technologies with carbon capture and storage at commercial scale."

Chu went on say the projects, part of his department's Clean Coal Power Initiative, represent "part of our commitment to advancing carbon capture and storage technologies to

the point that widespread, affordable deployment can begin in eight to 10 years."

One of the three projects earmarked for funding plans to use a process incorporating chilled ammonia to capture an expected 90 percent of carbon dioxide from power-plant flue gases. Two of the three will use the captured CO<sub>2</sub> for enhanced recovery of oil from depleted wells.

The announcement said the projects would "make progress toward a capture and sequestration goal of less than 10-percent increase in the cost of electricity for gasification systems and less than 35 percent for combustion and oxycombustion systems."💡

# Of course, everything's bigger down there

The Fort Worth *Star-Telegram* reports that retail electric rates in Texas, where there's supposed to be competition, are higher than in surrounding states where there's not.

## Wave of the future?

Researchers at the Air Force Academy say they're working on a new kind of propeller—which for them might not sound like progress—except that this one will efficiently produce electricity from ocean waves.

The Academy researchers say the device—a cycloidal propeller—is actually in use now on tugboats and other watercraft that require a high degree of maneuverability. It's driven by lift instead of drag and the researchers said early last month they've developed a durable and efficient system that uses the device to spin a generator and convert ocean wave energy into electricity.

The system is said to be usable at any location or depth. Small systems about a yard in diameter are currently being operated in laboratory settings. Testing of a system that's more than 130 feet in diameter is expected to begin in a *really big* laboratory setting at Oregon State University sometime this year. 💡

## FERC whacks FPL

No doubt with memories of the big 2003 blackout in mind, federal regulators this fall made a demonstration of seriousness about system reliability, announcing a \$25 million fine against Florida Power and Light for a 2008 mishap that darkened much of the state for several hours.

That '03 blackout, you'll recall, affected parts of eight states and Canada and resulted in Congress, two years later, giving the Federal Energy Regulatory Commission (FERC) and the North American Electric Reliability Corporation authority to enforce reliability standards that, until then, utilities had applied voluntarily.

So this fall, when FERC took action on the February 2008 blackout that affected millions of Florida Power and Light customers, it pulled no punches. The \$25 million civil penalty comes on top of a broad program of system improvements the utility is being required to apply so as to prevent repeat incidents.

The settlement with the Florida utility is the first since the regulatory and reliability organizations received their new sets of teeth and Norman Bay, director of FERC's Office of Enforcement, took the opportunity to make a point.

"The message to the industry is clear," Bay said. "Compliance with the Standards is critical." 💡

For some, it's telling that those surrounding states with the lower rates—Louisiana, Arkansas, Oklahoma, and New Mexico—all maintained traditional utility regulation in the face of about half the states restructuring their energy utilities to varying degrees during the 1990s.

The *Star-Telegram* quotes Tom Smith, Texas director of Public Citizen, saying,—"The ultimate problem is that the market is designed to maximize profits for the power companies, and it's costing consumers more money."

A small-business owner who's quoted in the story puts the focus on wholesale power market rules that pay all electricity generators the same rate regardless of their cost of production. A familiar feature in wholesale power markets, these rules call for all suppliers to be paid the same rate as the last generation facility needed to meet demand. Typically the last unit dispatched is the most expensive to run, and critics of the method point to the undeniable fact that this means big profits for coal and nuclear plants with low generation costs—the "base load" generation that runs all the time and produces the cheapest power.

On the other hand, supporters of Texas' deregulated retail power markets say they're working fine and have provided customers with a wide variety of choices, including more than a dozen plans offering retail rates between 8 and 9 cents per kilowatt-hour.



That would not be an unfavorable rate, but there is some question how long it will last. For about a year and a half, the weak economy has driven down demand for natural gas, the fuel used in many Texas power plants, especially those that are brought on line to meet peak demand.

Weak demand means cheaper electricity from gas. A booming economy would pretty surely put an end to that. 💡

## PA payoff

Continued from front page...

though, is whether small accounts like individual residential customers will have the ability to make deals that leave them better off than before, or whether the competition for their business will simply occur among providers working from a price floor that suddenly shifts higher, with no ceiling overhead.

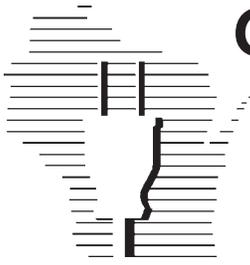
In December, the *Hazelton Standard-Speaker* posed a question everyone will soon be answering whether they want to or not, with the headline: "Was electric deregulation beneficial?" The story notes "only modest competition" for residential customers in the face of the big rate hikes.

Multiple factors are at work, including the general rise in energy prices since the late '90s, including higher fuel costs for utilities. That in itself has had a dampening effect on the ability of competitive suppliers to enter the market.

But now the cost of generated electricity is almost doubling for PPL customers. It will be instructive to watch what happens and see if the 1990s promise of competition is kept in the 2010s, or if the only payoff is to utilities and other power providers building their prices from a higher base. 💡

## Energy saver tip

January is typically our coldest month. You can make it a bit warmer at little cost by using inexpensive heat deflectors to move warm air from floor registers laterally, heating rooms more evenly and keeping you more comfortable than if the output of your furnace is allowed to rise straight to the ceiling. 💡



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## A Coalition

to preserve  
Wisconsin's  
Reliable  
and Affordable  
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Be sure  
to check out the  
Customers First!  
web site at



**[www.customersfirst.org](http://www.customersfirst.org)**



## Quotable Quotes

*"We are now UPS—we deliver packages, we don't care where the boxes are from. Customers will see competitive offers and we hope they will take advantage of them."*

—George Lewis, spokesman for Allentown, Pennsylvania-based utility PPL, explaining why his company doesn't care if all its retail customers buy power from someone else, quoted in the Hazelton, PA, *Standard-Speaker*, December 7, 2009

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.

**Customers First!**  
Plugging Wisconsin In

