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 • MAY 2010 • Vol. 15, No. 5

Wind rules spell hard work

Nobody said this would be easy. It took two legislative sessions just to authorize creation of statewide standards for siting wind-energy projects. Members of a special committee to develop the actual standards are on a shorter timeline, and they're picking their way through details, like when public notices are required.

Tasked with developing draft rules for the Public Service Commission, the Wind Siting Council is grappling with questions over how soon local officials should be notified when a developer begins talking with landowners about a potential project.

Wind developers have been registering some concerns about the possibility of being required to give local government early notice, which then becomes notification of the public at large.

According to *The Daily Reporter*, a Milwaukee-based construction industry and legal newspaper, some council members say early notice could help prevent the rancorous public reaction they feel is more likely when a community is presented with a full-blown plan.

But the story quoted a spokesman for a Missouri developer saying it would be "restrictive for any company doing business in Wisconsin if they had to post a public notice every time they wanted to have a conversation with a landowner."

The dynamics of the discussion seem to boil down to finding the approach that's least likely to inflame landowners who don't want *any* kind of infrastructure project in their back yards, while simultaneously giving local communities a sufficient role to be able to buy into the ultimate decision.

Meanwhile, the pace of installing new wind-energy facilities is expected to slow this year because slack electricity demand in a down economy is making it harder for wind developers to find anyone willing to enter into contracts to buy the product, according to a Dow Jones report.

If installations do decline this year, it wouldn't be as if the industry had come to a standstill; it all depends on the comparison. More than 10,000 megawatts of new wind capacity was installed last year, according to the American Wind Energy Association. The 2009 figure represents the greatest single-year wind capacity increase yet recorded in the U.S.

Disadvantages of restructuring continue to grow

The American Public Power Association (APPA) conducts an ongoing study and annually reports the status of retail electric rates in restructured states, comparing them with those that kept traditional regulation. This year's edition is just out, and things are still getting worse for the states that restructured.

This spring the APPA published a full 12-year comparison, based on data made available by the Energy Information Administration, part of the U.S. Department of Energy.

The comparison starts with 1997, the last year with little or no retail-choice activity. The first two years show rates declining in restructured states. APPA says this most likely reflects mandated price cuts in those states, and it didn't last. In 2000, rates started rising again.

Interestingly, the first half-dozen years show rates in both restructured states and those that kept traditional regulation rising in tandem, about half a cent per kilowatt-hour over the period.

But after that, things changed. Rates in restructured states began rising faster from 2004 onward, climbing by 3.4 cents per kilowatt-hour, compared with 2.1 cents in states with traditional regulation.

The past year saw only very small increases, something the APPA attributes mainly to weak demand in the slow economy and the corresponding drop in natural gas prices.

But overall, the study continued to show in 2009 what it had been showing previously, and it doesn't reflect well on the theory that drove restructuring to begin with. States that embraced retail choice were generally experiencing high costs and hoping competition among electricity providers would bring rates down. In 1997, their rates on average were 3.1 cents higher than those in the states that would remain traditionally regulated. Twelve years later, the gap has widened to 4.4 cents.

You can't go home again

Yet another state that's had second thoughts about its electric restructuring program is finding it difficult to put things back as they were. Legislation pending in Connecticut would make big changes but wouldn't bring the state back to traditional regulation.

It would, among other things, set up a state authority to own and operate power plants.

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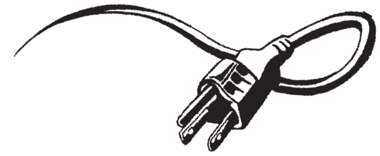
THE WIRE is a monthly publication of the *Customers First!* Coalition—a broad-based alliance of local governments, small businesses and farmers, environmental groups, labor and consumer groups, retirees and low-income families, municipal electric utilities, rural electric cooperatives, wholesale suppliers, 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 Wisconsin Legislature adjourned its regular business session for 2009–10 on April 22 without taking up Assembly Bill 649 / Senate Bill 450, referred to as the Clean Energy Jobs Act (CEJA). We've been closely following this legislation that was crafted from recommendations that came out of Governor Doyle's Task Force on Global Warming more than two years ago. It included Task Force proposals to generate 25 percent of electricity from renewable sources by 2025, reduce electricity use 2 percent a year starting in 2015, and change the permitting requirements for new nuclear power plants.

Bromley

The CEJA was introduced in January, received several public hearings in February, and then underwent a major revision by the legislative sponsors throughout March and early April. With time running out and only days before the end of the legislative session, an amended version of CEJA was unveiled that scaled back portions of the bill to help reduce the cost to consumers. The amendment took out many of the transportation-related provisions such as vehicle emission and low carbon fuel standards, and changed several provisions affecting utilities. It allowed electric providers to apply certain energy conservation efforts toward compliance with a portion of the renewable portfolio standard. It also deleted the advanced renewable, or feed-in, tariff language and instead created a temporary, four-year grant-and-loan program to incent the installation of small-scale renewable generation projects, such as manure digesters.

Even with these changes there continued to be disagreement over CEJA's impact on utility rates. The Public Service Commission released an analysis that suggested ratepayers would save $1.4 billion over the next 15 years under provisions in the amendment, compared with the status quo. Others, led by the heavy manufacturing industry, scoffed at the study and stuck to their assertion that CEJA, with or without the amendment, would cost businesses and consumers billions in higher energy costs.

In the end, legislative leaders didn't want to put their members through a tough vote that some would portray as raising energy bills. Whether CEJA, or something similar, will have better luck when a new legislative session begins in January 2011 is hard to predict. The prospects will depend a lot on the make-up of the Legislature, the new governor, the shape of the economy, and any federal energy or climate change policies enacted by then.

You can't go home again

Continued from front page...

A group of retail power providers, the Retail Electric Supply Association (RESA), says the legislation would restrict customer choice, causing prices to go higher. As things stand now, more than nine of every 10 large commercial and industrial electricity users in Connecticut are served by suppliers other than the incumbent utility. Two-thirds of the small commercial and one-fifth of residential usage are served by competitive suppliers.

Be that as it may, power prices in Connecticut have stayed high enough to serve as fodder for political campaigns the past several years. The data referenced elsewhere in this edition, showing Texas with the second-highest electric rate increases in the continental U.S. over the past decade, show Connecticut just behind, in fourth place. (Wisconsin ranks eighth highest in terms of increases.)

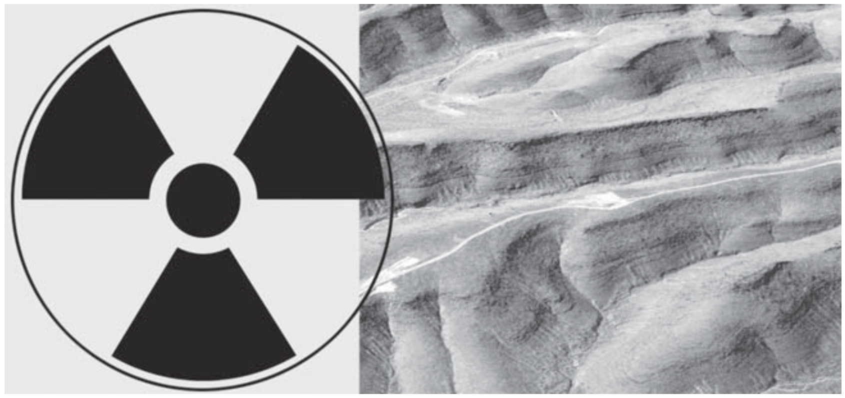
The next increase in utility bills could come from an unexpected direction. Since mid-April, Connecticut Light and Power, the dominant incumbent utility, has been waging a campaign of its own against a legislative proposal that would tack a new charge onto electric bills to cover a state budget shortfall.

The additional charge would become effective next year, and for customers of another Connecticut utility, United Illuminating, it would be effective in 2014.

Some proponents of the measure have conceded it's not consistent with state-sponsored recommendations to reduce electricity costs but say it makes more sense than other revenue-raising ideas.

Yucca Mountain: The never-ending saga...

Maybe we've said this before, but it used to be a prediction; now it's looking like fact: The litigation over the Yucca Mountain nuclear waste storage site is outliving the Yucca Mountain project itself. The national organization representing state utility regulators has now filed suit to stop the federal government from collecting fees to develop Yucca Mountain, months after it was defunded in the administration's budget plan.



The National Association of Regulatory Utility Commissioners (NARUC) joined nuclear-owning utilities and their trade association, the Nuclear Energy Institute, in the lawsuit.

It's not that the NARUC and other plaintiffs wouldn't like the facility completed and taking delivery of radioactive waste. They argue that since the Yucca Mountain project has been officially dropped by the DOE, there is no national waste-management plan, and collection of money to pay for it can't be justified.

Meanwhile, the newly constituted Blue Ribbon Commission on America's Nuclear Future says it won't review the Obama administration's decision to abandon the Yucca Mountain repository.

Energy Secretary Steven Chu reportedly told the 15-member panel he wanted it to look to spent-fuel reprocessing as a solution.

The radioactive waste currently stored at power-plant sites—including Dairyland Power Cooperative's shuttered nuclear plant at Genoa and Xcel Energy's Prairie Island plant at Red Wing, Minnesota—is there because the government halted its reprocessing program in the late 1970s over concerns about proliferation of enriched uranium products and subsequently failed to open the national repository scheduled under the federal Nuclear Waste Policy Act of 1982 to begin accepting waste by February 1998.

The new commission is to submit a report and recommendations to Chu in two years, however former Indiana Congressman Lee Hamilton, who co-chairs the panel, has said he doesn't know if that deadline will hold.

The stats tell the story in Texas restructuring

There's no shortage of opinions about the success or failure of electric restructuring in Texas. The Lone Star State took the plunge in 1999, just about the time the restructuring craze hit its peak and began to slow down. Enthusiasts claiming it's all been a big success have been battling it out with skeptics claiming the opposite ever since.

Now an organization called the Cities Aggregation Power Project (CAPP) has produced numbers it says provide definitive proof that Texas consumers have not realized the benefit of competitive markets that they were led to expect.

Figures released by the group show that from 1999 through 2008, Texas experienced the second-highest electric-rate increases in the continental United States. Only Massachusetts saw higher rate increases. The period studied covers the years from the beginning of retail deregulation in Texas through the latest year for which the federal government was able to provide comprehensive pricing data.

The group noted additional variables that it said made the findings more "startling."

Texas price increases were larger than those among restructured states generally, the group said, and restructured states overall have had higher increases than those that retained traditional regulation.

Electric prices have also increased in Texas more than in other states that are similarly reliant on natural gas to fuel their power plants, the group said.

"Many proponents of the [restructured] status quo have blamed high electric prices in Texas on natural gas price volatility," the group said, "but this data suggests the current system is exacerbating the effect, not making it better."

A trade association called Texas Competitive Power Advocates (TCPA) sees things very differently.

The *Gainesville Daily Register* in mid-April took note of a new public relations initiative by TCPA, and the paper quoted the group's executive director, Marianne Carroll, saying, "Texas electric consumers are reaping the rewards of the vibrant competitive market through increased reliability, more energy-service provider choices, and lower electric prices. We believe it is important for consumers to be aware of yet another Texas success story."

The TCPA, whose members include Goldman Sachs, Deutsche Bank, and energy marketing affiliates of Calpine, Constellation, Exelon, and other large utility-connected holding companies, says changes sought by CAPP and others would impose greater regulatory burdens, diminish customer choice, and otherwise interfere with competitive electricity markets.

Energy saver tip

With warmer weather on the way, it's time to think about ways to reduce the energy demands of cooling your home. On most days, a whole-house fan, room fans, or ceiling fans can keep you just as comfortable as air conditioning, at lower cost and without big temperature swings when you move back and forth between indoors and out.

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

Be sure
to check out the
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Quotable Quotes

"People accept issues if they can get a fair kick at the cat, but if a process is hokey, there's going to be no end of troubles."

—Green County Board Supervisor Lloyd Lueschow, commenting on the sensitivity of public notice requirements for energy projects and quoted April 19, 2010, in *The Daily Reporter*

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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