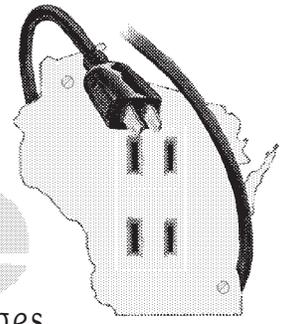


A Coalition
to preserve
Wisconsin's
Reliable and
Affordable
Electricity

Customers First! the Wire



Plugging you in to electric industry changes

608/286-0784 • P.O. Box 54 • Madison, WI 53701 • www.customersfirst.org • NOVEMBER 2010 • Vol. 15, No. 11

Get smart

Smart meter technology has been challenged by local governments and even state regulatory agencies in a number of jurisdictions, following customer complaints and accusations that the new devices aren't measuring electricity usage accurately.

But more than one investigation has concluded the real problem is utilities installing equipment capable of communicating better than ever—and then failing to communicate with their customers.

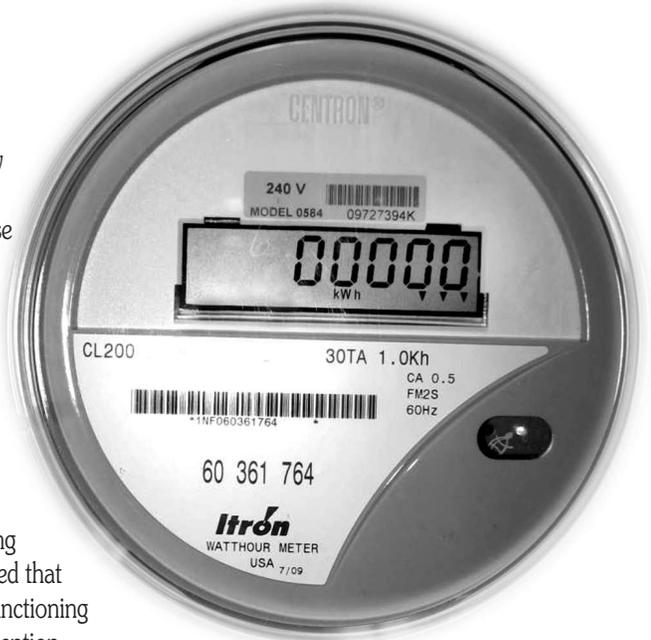
This fall, *The Wall Street Journal* reported that a four-month investigation by an independent consultant concluded that smart meters installed by Pacific Gas and Electric were measuring usage accurately. It also found deficiencies in the way customer complaints were being handled and in utilities' use of the data the new devices provide.

In fact, the independent testing showed

the smart meters were considerably more accurate than the equipment they were replacing. Problems arose from the utility not giving customers important information about time-of-day pricing and related opportunities to shift usage and save money (as opposed to the risk of not shifting and paying more).

Also, the *Journal* reported the utility evidently failed to act on meter-generated messages indicating problems. The consultants concluded that under those circumstances, a malfunctioning meter might not receive needed attention.

Similar results were found by an independent consultant's investigation of complaints from northern Texas customers served by a utility called Oncor. The bottom line seems to be that the new technology is objectively an



improvement, but there will be trouble if utilities don't make the effort to inform customers how they can use it to their advantage—or if utilities don't make use of all the information the technology makes available. 💡



Peters

No Vacancy...

WPPI Energy is putting together a seamless transition plan for the retirement of CEO Roy Thilly early next year. The Sun Prairie-based regional power company completed a nationwide search and announced Thilly's successor in October.

He is Mike Peters, currently CEO of the Michigan Electric Cooperative Association (MECA), a post he's held since 1996. Peters is to join WPPI February 1 and Thilly plans to retire during the first quarter of 2011.

Peters has spent his entire career thus far working for statewide electric cooperative associations, serving previously as their general counsel in Illinois and, earlier, Kansas.

WPPI announced that Peters' selection was the result of "an extensive national search over the last six months" and said he was "the unanimous choice of the executive committee of our board of directors."

WPPI Energy is a regional power company serving 51 customer-owned electric utilities in Wisconsin, Iowa, and Upper Michigan. With one exception, all are municipals, but Peters will retain a connection with past colleagues: Alger Delta Electric Association, a cooperative in Michigan's Upper Peninsula, is served by WPPI. 💡

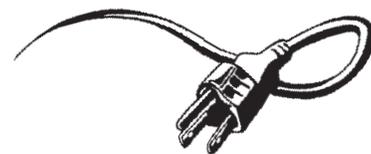
THE WIRE is a monthly publication of the *Customers First!* Coalition—a broad-based alliance of local governments, small businesses and farmers, environmental groups, labor and consumer groups, retirees and low-income families, municipal electric utilities, rural electric cooperatives, wholesale suppliers, 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 put out for public comment a draft Strategic Energy Assessment (SEA) that looks at the adequacy and reliability of the state's current and future electricity supply. Required by state law, an SEA is prepared every two years and relies on historic and forecasted demand and supply data from the state's utilities. The current draft SEA is available online at <http://psc.wi.gov/>.

Perhaps the most interesting—but not too surprising—findings in the draft report are the projections for peak demand growth and electricity supply. Peak demand occurs when a utility experiences its highest point of customer consumption of electricity. In Wisconsin, this usually happens during hot, humid summer days when air conditioners in homes, offices, and shopping malls are running full blast and the increased demand for electricity is added onto existing load. Predicting when peak demand will occur on a utility system is difficult, especially over the long term, because much is dependent on the weather.



Bromley

Demand is also influenced by the level of economic activity. The recent economic recession has had a significant effect on overall energy demand and, as the draft SEA points out, has contributed to lower peak demand growth in Wisconsin. Using utility forecasts, the SEA projects demand for electricity will grow at a rate of 1 percent per year from 2011–16, a slower rate of growth than before the recession.

On the other side of the equation is supply. The draft SEA finds, “(t)he economic downturn in the past two years coupled with the state's generation construction in the past several years creates a current state of excess capacity.” The commission recently opened a generic docket to explore in more detail excess capacity issues (docket 5-EI-150).

Electricity customers may find the section in the draft SEA that discusses rates to be informative. The report acknowledges that the average electricity rate for customers has increased in recent years, mirroring the national trend. It also explains the difference between rates and utility bills, fixed and variable costs, and how conservation can help soften the impact of rate increases on customer bills. 💡

Surprise! Texas toast

Back in the 1990s, when Texas and a number of other states restructured their electricity markets and invited competitive suppliers other than incumbent utilities to move in and start making deals with customers, not many people had thought much about how all this might change the way the electrical grid operates.

In Texas, they're thinking about it now. A lot of competitive retail electricity suppliers are wondering if an upcoming shift to congestion pricing by the Texas grid operator will put them out of business.

Starting next month, the Electric Reliability Council of Texas (ERCOT) plans to shift to a system that makes companies creating congestion on the grid responsible for covering the cost of that congestion.

The *Dallas Morning News* reported this fall that people who understand how the system works are thinking the changeover

“won't be entirely smooth.”

“Some retailers might go out of business,” the *Morning News* speculated. “Others might [!] charge customers fees to cover new costs.”

“I would expect some retailers to default in 2011,” said one well-connected attorney, according to the *News*.

That would be in line with two summers ago when a number of retail power providers in Texas went bankrupt because they produced no power themselves and had to deliver purchased power to their customers at a loss.

The effect of getting hit with congestion costs might not be much different if a retailer can't absorb those costs at least temporarily.

Some retailers are adding contract language allowing them to bill customers for costs resulting from the changeover. Customers are being advised to read their bills carefully and pay attention to any inserts that come with a bill mailing. 💡

Wind hearing gets blustery

Looking ahead to the prospect of lots more work, the difficulty of negotiating major changes, and the limited prospect that any compromise would leave both wind energy enthusiasts and opponents noticeably happier than they are today, few if any observers expected legislative oversight committees to wade back into wind-energy siting rules finalized by the Public Service Commission in August.

But in mid-October it was announced that one of the two committees with jurisdiction would ask for unspecified changes to the rules, and witnesses at a hearing of the Senate Committee on Commerce, Utilities, Energy and Rail—wind supporters and opponents alike—were clearly ready to take another swing at the issues.

In a hearing that lasted more than five hours, wind-energy advocates said the rules were too restrictive and would discourage development of the resource. Opponents said they fall short of adequately protecting public health and safety.

Some were receptive to the idea of

modifications but warned that compensation payments from developers to neighboring land-owners—currently part of the rules—would add costs destined ultimately to show up on electric ratepayers' bills.

It was not entirely clear whether there would be further talk about a position advocated by PSC Commissioner Lauren Azar during and after drafting of the rules: a requirement that developers buy out the property of project neighbors if they are able to prove they're suffering adverse health conditions caused directly by turbine operations. No such provision was included in the rules submitted by the commission for legislative review.

A PSC staffer testified that the wind rules had attracted more public comment than any other issue before the commission.

A member of a law firm representing wind advocacy interests said the rules as written exceed the commission's authority under Wisconsin law. Food processors and crop farming

interests testified they were concerned about the rules' effect on crop-spraying and said they wanted compensation if crop losses occur.

The Wisconsin Towns Association testified that the rules don't do enough to protect public health and safety. The enactment of varied wind-siting restrictions by some local governments that are association members was a primary source of momentum for legislation to authorize creation of uniform statewide siting rules.

Another hearing has been scheduled. The Assembly Committee on Energy and Utilities will take testimony at the Capitol Tuesday, November 9. 

Cheese-o-watts

You can make electricity, it turns out, from more things than most of us would have imagined. With help from a state loan announced last month, a Lafayette County cheese-making firm will meet most of its own power requirements by turning whey into kilowatts.

The State Energy Program (SEP) will provide a \$550,000 loan to Betin, Inc., one of the nation's largest goat-cheese producers. The company will install an anaerobic digester at its facility in Belmont to process whey and wastewater. This will produce methane that can be used to meet as much as 80 percent of the company's energy needs, according to an announcement from Governor Doyle's office.

Comprising a total investment of \$3.5 million, the project is expected to create 13 jobs. 

Half-life support

Regular readers know we've been wondering lately whether the "nuclear renaissance" proclaimed earlier this decade is losing momentum, at least in the U.S. A major energy company backing away from a Maryland project last month brought more signs that it's sputtering.

Three years ago, Constellation Energy Group, the holding company parent of Baltimore Gas and Electric, got together with EDF Group, the government-owned French operator of one of the world's most extensive nuclear generation fleets, in a project they called UniStar.

The objective was to build a new nuclear unit at the site of Constellation's existing Calvert Cliffs nuclear plant in Maryland.

It didn't take long for the things to begin unraveling. The economy weakened and slid into a deep and prolonged recession, diminishing electricity demand and power prices and making the investment in a new multibillion-dollar facility less attractive as time went on.

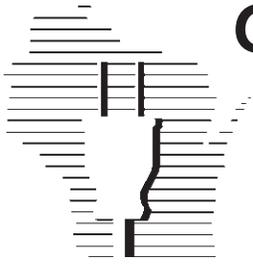
Constellation had already told the U.S. Department of Energy (DOE) it wouldn't be able to go ahead with the project unless it had a federal loan guarantee in hand before the end of this year. Then in early October, Constellation walked away, balking at the \$880 million credit subsidy fee—11.6 percent of the total \$7.5 billion loan required—that the DOE was seeking. The project would no longer be economically feasible if Constellation had to front that much money, the company told the DOE.

Maryland Governor Martin O'Malley met with EDF officials in hopes of keeping the project alive and House Majority Leader Steny Hoyer (D-MD), whose congressional district is home to the Calvert Cliffs plant, said he'd try to find ways of making the loan happen. (The total price tag for the project is in excess of \$9.5 billion.)

By mid-month, EDF offered to buy out Constellation's share of the project and look for another U.S. partner. American law restricts foreign ownership of nuclear plants and EDF could have a tough time finding another U.S.-based partner prepared to take the necessary 50.1 percent ownership share and with deep enough pockets to pull it off. 

Energy saver tip

You just did the "Spring ahead, Fall back" thing, right? "Summer up, Winter down" isn't as catchy but it's still good to remember that ceiling fans generally have a switch to reverse air flow direction, and when it gets chilly outside you can keep yourself more comfortable and help your heating system work more efficiently by setting the fan to move warm air down from the ceiling. That means a clockwise motion. Come summer, switch it to counter-clockwise to pull cooler air up from the floor. 



Customers First!

P.O. Box 54
Madison, WI 53701

A Coalition
to preserve
Wisconsin's
Reliable
and Affordable
Electricity

Be sure
to check out the
Customers First!
website at



www.customersfirst.org



Quotable Quotes

"People are going to struggle. It's the nature of the beast."

—Mike Cleary, chief operating officer, Electric Reliability Council of Texas, anticipating trouble for retail power providers when congestion pricing kicks in December 1, and quoted in *The Dallas Morning News*, September 30, 2010

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

