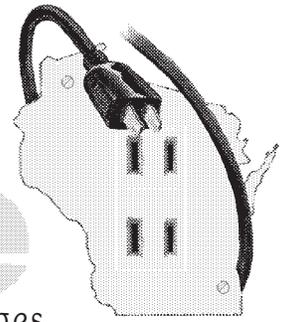


A Coalition
to preserve
Wisconsin's
Reliable and
Affordable
Electricity

Customers First! the Wire

Plugging you in to electric industry changes



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Senate committee: Workin' on the railroads

There isn't much time left before the 111th Congress goes home for good, but progress is still being made on rail reform issues of concern to the *Customers First!* Coalition.

In mid-September, the Senate Commerce Committee held a hearing on national railroad policy. Setting the stage, Committee Chair Jay Rockefeller (D-WV) released a report prepared by committee staff that examines the current financial condition of the biggest (Class I) railroads.

Titled "The Current Financial State of the Class I Freight Rail Industry," the report said that while railroads tell federal regulators their profits aren't sufficient to cover long-term capital investment needs, Class I railroads are spending billions of dollars for stock buybacks to boost short-term value for shareholders.

Relying on Securities and Exchange Commission filings for 2008, industry analyst reports, and other sources, the committee staff concluded that Class I railroads were "aggressively raising prices for their customers" and collecting record profits.

Among witnesses testifying at the hearing was Wisconsin Senator Herb Kohl, who last year won a commitment from Rockefeller to include in his Surface Transportation Board reauthorization bill the provisions of Kohl's legislation applying federal antitrust law to the exempt railroads.

"For decades freight railroads have been insulated from the normal rules of competition followed by almost all other parts of our economy by an outmoded and unwarranted antitrust exemption. The railroads' obsolete antitrust exemptions mean higher prices for consumer and manufactured goods, for food and electricity," Kohl testified.

As an example, Kohl cited *Customers First!* member Dairyland Power Cooperative.



Senator Kohl tells the Commerce Committee the importance of applying antitrust law to railroads.

The La Crosse-based utility, he said, serves the electricity needs of more than 575,000 people and several years ago was hit with a 93 percent railroad shipping-rate increase resulting in about \$35 million of increased cost.

He noted that consolidation in the railroad industry in recent years has left just four Class I railroads providing nearly 90 percent of the nation's freight rail transportation, as measured

by revenue. Three decades ago there were 42 such providers.

Kohl's Railroad Antitrust Enforcement Act was endorsed unanimously by the Senate Judiciary Committee in 2009. The proposal has been actively supported by the national CURE (Consumers United for Rail Equity) group, with a Wisconsin chapter founded by *Customers First!* and other organizations. 💡

Billions to build

The American Transmission Company (ATC) has released its annual assessment of transmission system needs and it calls for \$3.4 billion to be spent expanding and upgrading the transmission grid for Wisconsin and Michigan's Upper Peninsula over the next 10 years.



Flygt

The numbers are driven by a growing need for an expanded regional transmission system to support wholesale power markets and evolving energy policy choices, according to Flora Flygt, ATC's director of strategic projects.

"This year's assessment not only addresses projects needed for system reliability, but also includes projects that meet larger, regional needs based on economic benefits and public policy initiatives for renewable energy," she said.

The \$3.4 billion figure breaks down to \$1 billion for transmission network upgrades; \$1.7 billion for interconnection and asset renewal projects, replacements, and other small network improvements; and \$700 million for regional projects the company says will provide multiple benefits.

In addition to plans for a new 345-kilovolt line between La Crosse and Madison recently an-

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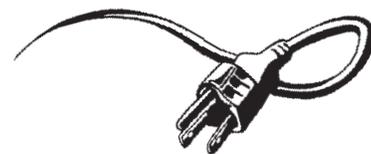
THE WIRE is a monthly publication of the *Customers First!* Coalition—a broad-based alliance of local governments, small businesses and farmers, environmental groups, labor and consumer groups, retirees and low-income families, municipal electric utilities, rural electric cooperatives, wholesale suppliers,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



A report recently issued by the Public Service Commission (PSC) examining the potential for geologic sequestration of carbon dioxide emitted by Wisconsin's coal-fired power plants should serve as a valuable resource as the state prepares and plans for possible regulations to curb greenhouse gas emissions. The report was put together by a diverse study group led by PSC Commissioner Mark Meyer and based on a recommendation from the Governor's Task Force on Global Warming. It looks at the technical and economic potential, and infrastructure needs for deployment of carbon capture and storage (CCS) technology.

CCS is an evolving technology that captures carbon dioxide from point sources, such as power plants, and transports it through pipelines to sites where it is injected and stored underground in deep geologic formations that isolate it from the atmosphere. Proponents see CCS as a win-win—a way to continue using coal and reduce carbon emissions. Opponents question the viability of the technology and are concerned about its high costs and the environmental risk of storing carbon underground indefinitely. The Obama administration sees enough promise in CCS to dedicate more than a billion dollars in stimulus funding to support demonstration projects, such as the Future-Gen plant in southern Illinois. (See related article nearby.)

The PSC's report finds that based on current knowledge, it is unlikely Wisconsin has geologic formations suitable for storing carbon dioxide. The report, therefore, focuses on three scenarios: 1) Carbon dioxide is captured from an existing coal-fired power plant in Wisconsin and transported to a suitable storage site in an adjacent state, 2) Synthetic natural gas is produced from CCS technology in an adjacent state and transported via pipeline for use in gas-fired power plants in Wisconsin, and 3) Carbon dioxide is captured from a coal-fired power plant in an adjacent state and the electricity is transported to Wisconsin via expanded transmission infrastructure. The scenarios, as the report makes clear, are not mutually exclusive and each has advantages and disadvantages.

The report also offers sensible "next steps" that recognize Wisconsin's limited role in resolving the legal and regulatory issues with long-term geologic storage of carbon dioxide. It encourages the state to collaborate with other Midwest states that have more suitable opportunities for carbon storage and to support federal efforts to advance the development of CCS technology.

An Investigation to Explore the Potential for Geologic Sequestration of Carbon Dioxide Produced by Wisconsin's Electricity Generation Fleet can be found on the PSC website at <http://psc.wi.gov/> by typing the case numbers 5-El-145 in the boxes provided. 💡



Bromley

Billions to build

Continued from page 1...

nounced by ATC, the company says there will be a need for a second major 345 kv line, this one between Madison and Dubuque, Iowa.

Infrastructure improvements over the past ten years have substantially reduced an electricity price disadvantage for consumers within the ATC footprint, the company said. When the Midwest wholesale market was established five years ago, ATC said, the average locational marginal price within the ATC footprint was \$63.27 per megawatt hour, more than \$10 higher than the average for neighboring market hubs. By last year, the difference had shrunk to \$1.27 per megawatt hour, the company said.

That change, ATC said, was one of the results of investing some \$2.2 billion in upgrading and expanding its infrastructure since 2001. 💡

Energy saver tip

It's the time of year to do some preventive maintenance to seal out energy-wasting winter drafts. The outsides of wall-mounted air conditioners can be enclosed with plastic film or another air-tight cover. If your windows aren't double-glazed, putting on storm windows or plastic film is a good idea. And windows need to be latched to make sure weather seals are firmly in place. 💡

FutureGen gets cautious endorsement; federal study backs CCS technology

Private-sector backers of a clean-coal and carbon-capture project in Illinois say they're on board—while making clear that it's for one step at a time. Meanwhile, a study by multiple federal agencies says carbon-capture technology could be widely deployed in the coming decade but likely won't be without mandatory emission limits.

The FutureGen Alliance last month crafted a press release saying it “will offer its support” for the Department of Energy's (DOE) revised plan “provided that mutual agreement can be reached on terms and conditions this fall.”

The group made clear that agreement this fall wouldn't spell the end of the Alliance's step-by-step approach. An international group of major coal producers and consumers, the Alliance said it expects “to initiate a 12-month project definition phase to verify DOE's estimated cost for the project” and to begin site selection.

Assumed by many to have been resolved last year if not earlier, site selection re-emerged as an issue when the DOE announced it would generate power and store the resulting CO₂ emissions at widely separated locations instead of on a single site at Mattoon, Illinois. The city withdrew from the project on learning this summer that its role would be limited to storing the emissions.

On a related front, the federal government's Interagency Task Force on Carbon Capture and Storage (CCS) released a report saying the technology could be applied widely over the next 10 years, but its viability is contingent on mandatory emissions limits Congress thus far has declined to enact.

“While there are no insurmountable technological, legal, institutional, regulatory, or other barriers that prevent CCS from playing a role in reducing [greenhouse] emissions... CCS technologies will not be widely deployed in the next two decades absent financial incentives that supplement projected carbon prices,” the report said.

The report said, “In the electricity sector, estimates of the incremental costs of new coal-fired plants with CCS relative to new conventional coal-fired plants typically range from \$60 to \$95 per tonne [sic] of CO₂ avoided. The report said 70–90 percent of that cost is associated with capturing and compressing emissions.

“The lack of comprehensive climate change legislation is the key barrier to CCS deployment,”

the report said. “Without a carbon price and appropriate financial incentives for new technolo-

gies, there is no stable framework for investment in low-carbon technologies such as CCS.”



Architects' rendering of the proposed FutureGen facility.

Inconsequentially exorbitant?

American Electric Power was before the Public Utilities Commission of Ohio last month, arguing that last year's rate of return on some of its operations—21 percent—was not “significantly excessive.”

No doubt some found it impossible not to think of the 40-year old Monty Python sketch in which the frog that's a key ingredient in an exotic piece of candy is described as having been “lightly killed.”

Riding on the outcome of the argument is a potential refund for central Ohio customers.

The remarkable phrase, “significantly excessive,” comes from a 2008 Ohio energy law that makes it easier for utilities to increase rates but also stipulates that the resulting profit can't be “significantly excessive” compared with those earned by similar companies. The trouble is, the terms are left undefined.

That leaves the commission (PUCO) to decide what the words mean. Utilities—such as AEP—warn that if regulators clamp down too hard on acceptable profit margins, utilities won't want to invest in Ohio operations. However, the state's official consumer advocate says if AEP escapes without some sort of penalty, the law will have failed in its mission of protecting consumers.

The Ohio Consumer's Counsel Maureen Grady is asking that \$100 million be paid back to AEP customers, according to an account in *The Columbus Dispatch*. “Essentially it's an issue of fairness, of equity. It's a big deal,” Grady told the *Dispatch*.

A \$100 million refund would represent

about 37 percent of the 2009 profits earned by AEP's Columbus Southern Power subsidiary. No one disputes that the company had a 21 percent return on investment but the utility says not all of its income—most notably off-system sales of excess generation to customers not served by Columbus Southern—should count toward the profit margin for purposes of regulating “significantly excessive” earnings.

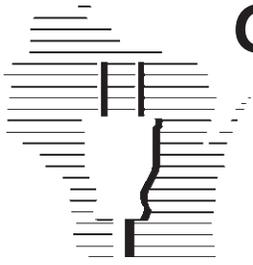
The commission is expected to issue a decision within the next few months.

Energy assistance funds released

Wisconsin will be getting a share of more than \$100 million in federal money to help low-income customers keep up with heating and cooling bills, the Department of Health and Human Services announced late last month.

The funds—with \$3.6 million allocated to Wisconsin—will be administered through the Low Income Home Energy Assistance Program (LIHEAP). The total of \$101 million in contingency funds is in addition to \$4.5 billion in LIHEAP block grant funding and another \$490 million in emergency contingency funds received by states earlier this year, according to the department.

In addition to helping with heating and cooling costs, LIHEAP funds assist in paying for home weatherization.



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Quotable Quotes

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—U.S. Senator Herb Kohl (D-WI), in testimony on his rail reform initiatives, before the Senate Commerce Committee, September 15, 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.

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