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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Wind rules advance

The state Public Service Commission (PSC) made substantial progress in August toward finalizing administrative rules to implement uniform statewide wind energy siting standards, as authorized by the Legislature earlier this year.

The 15-member citizen panel advising the PSC on wind issues finished its work last month. Commissioners worked hard to have the rules ready for legislative review this fall.

A few substantive issues remained to be resolved at press time for this month's edition of The Wire. Among those that had been resolved:

• Shadow flicker: The standard for shadow flicker at homes occupied by persons not participating in a wind energy project is 30 hours per year. Shadow flicker lasting longer than a total of 20 hours annually requires the turbine owner to provide mitigation. Above 30 hours, curtailment of operation is an allowable remedy.

• Safety setbacks: The PSC followed the advisory council's recommendation and adopted a setback requirement of 1.1 times the maximum distance from ground to blade tip, measured from property lines and participant residences.

• Localities without ordinances: The rules do not apply to jurisdictions that have not adopted a local wind-siting ordinance.

• Projects undertaken by regulated utilities: Provisions of the rule may apply to utility-owned wind projects with a capacity less than 100 megawatts.

Substantive issues not resolved as of press time included allowable limits on noise levels, setback distance from neighboring residences not involved in a project, compensation payments to non-participating neighbors, and a proposal requiring developers to buy out a turbine neighbor's property if the neighbor is able to demonstrate serious, adverse health effects resulting solely from operation of the facility.

ATC plans outreach for transmission

American Transmission Company (ATC) says it plans to begin public outreach efforts this fall to gather input on routing options for a big new transmission line it hopes to put in service eight years from now.

The new line, yet to be formally proposed, would have a capacity of 345 kilovolts—equivalent to the largest capacity lines currently in use in Wisconsin—and would span approximately 150 miles between La Crosse and Madison.

In addition to boosting transfer capacity into Wisconsin and improving electrical stability in the upper Midwest, the proposed Badger Coulee Transmission Project would offset the need for approximately $140 million in upgrades to lower voltage lines in western Wisconsin, according to an announcement issued by ATC at the end of July.

ATC said the new line would relieve congestion, giving utilities easier access to Midwest wholesale markets for both power sales and purchases, creating savings that can be passed along to consumers.

It will also facilitate Wisconsin's access to renewable energy, helping power providers meet the state's mandated renewable standard.

ATC said that after obtaining public input, it expects to file an application with the Public Service Commission in 2013 and, assuming regulatory approval, would begin a three-year construction phase in 2015.

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

One of the more interesting energy blogs I occasionally read is written by reporters from the Dallas Morning News (http://energyandenvironmentblog.dallasnews.com/). Of particular interest is when the reporters blog about how folks are faring under electric restructuring in Texas. We've shared with readers of this publication the differing opinions on the success and failure of retail deregulation in Texas. Often these opinions are from industry analysts or utility stakeholder groups that promote a study or analysis supporting their positions. The bloggers, though, go deeper and give us a look at what the average residential customer faces in a retail-choice state.

Recently, one of the reporter/bloggers shared his experience as a customer choosing an electricity supplier. On paper, retail choice seems simple and straightforward. Customers are offered a menu of services and rates from different suppliers and pick the one that best suits their needs. As a journalist who covers the energy industry, the blogger felt confident he understood the system well enough to wade through the options and choose one that offered the lowest rates.

Bromley

For him, a variable rate energy plan seemed to be the best choice. He was told by the provider, and thought he fully understood, that the rate was tied to the average cost of natural gas and would go up or down as did natural gas prices. With natural gas prices relatively low and stable, he thought there was a good chance his electric rates wouldn't move much, at least in the near term. Yet, within the first couple of months under the new plan, his rate jumped from 7.5 cents per kilowatt hour to 11 cents, then to 11.2 cents, an increase of 50 percent. During the months when his electric rates went up, the frustrated blogger noted that the price of natural gas "barely budged."

Understandably he felt he was misled and possibly deceived into thinking the price of natural gas was the primary driver of his electric rates. He warns, "For consumers who jump on variable rates with the information that it indexes natural gas costs—that's yet another amazing, misleading, and anti-consumer aspect of how we pick our own power."

Price-fixing fight not over yet

KeySpan Energy stands accused of bilking New York energy consumers out of as much as $300 million by manipulating wholesale power markets. The company admits to no wrongdoing but agreed earlier this year to settle the case—for $12 million. The aggrieved parties are not amused.

Some of them—including Consolidated Edison, AARP, and consumer-protection officials—have formally petitioned for rejection of the settlement, partly because they think it should be larger and partly because it would be paid to the federal government, not to consumers.

The case offers insight into one of the countless ways restructured power markets can be manipulated.

In 2006, the Astoria Generating Company brought a new 500-megawatt power plant on line in New York. KeySpan responded in two ways: It took some of its own generation off-line and acquired an indirect financial interest in Astoria.

The KeySpan plants going off-line created shortages, boosting the price of power from the Astoria plant and others in the region, in effect allowing KeySpan to make more money by not generating electricity.

Con Ed, wondering why power prices didn't fall with new generation available, asked federal regulators to investigate. They decided their rules hadn't been violated but rewrote them to preclude further manipulation.

Ultimately, KeySpan ran afoul of antitrust law for its back-door arrangement to share in the profits (or losses) of its competitor, Astoria.

Federal authorities say there's no way to reliably calculate the loss to consumers or to return the money to them.

Nuclear power's renaissance postponed?

The latter years of the current decade have heard much talk of a revival in the nuclear energy industry but unlike the original Renaissance—characterized by a vigorous resurgence of previously moribund pursuits—the nuclear renaissance has been tentative and halting. The reasons are not unfamiliar: high costs, risks too large for any single entity to undertake, and intractable political problems over what to do with the waste.

It's no secret that some in the energy industry are intrigued by the prospect of new nuke plants. Even within the environmental community, a few voices have been raised in favor of nuclear energy as a global warming remedy. In June, the UN's International Energy Agency and the Nuclear Energy Agency (affiliated with the Organization for Economic Cooperation and Development) released a report saying almost one-fourth of global energy could come from nuclear power by 2050, markedly reducing CO2 emissions.

However, the same report added that an expansion of that magnitude—more than 300 percent of present worldwide nuclear capacity—would require strong government support, especially through financing.

Which is something like saying as soon as you can find a government that's flush with money, the renaissance will get rolling, unless it doesn't.

Mid-August found Standard and Poor's producing a report that said without evident irony that new nuclear construction "has been on the verge of taking off in the U.S. for some time now."

Interestingly, the S&P analysis seemed to point to a resurgence being uniquely difficult in the United States. Approximately 60 new plants are under construction worldwide, the report said, but many hurdles remain to be cleared in this country.

"Foremost is the absence of any meaningful nuclear building experience in the U.S. over the past several decades," S&P said. The report went on to cite "resilience" in nuclear capital costs "despite a reduction in other construction activity."

One cost driver, it said, is that overseas activity means "there are already likely to be resource pressures on the nuclear construction infrastructure as builders compete for materials and other resources."

Even very large energy companies shy away from the financial risk. New Orleans-based Entergy Corp., the nation's second largest nuclear generator, suspended license application for two new plants in 2008 when it couldn't obtain a construction contract to its liking.

Entergy CEO J. Wayne Leonard told a Reuters energy forum in Texas this spring high costs would keep most utilities out of the game. Concerning the federal government's $8.3 billion loan guarantee to a group led by Southern Co. for new construction at an existing nuclear site, Leonard said, "I've wondered how Southern—how anybody—makes the numbers work."

Less prominently mentioned is the issue of long-term handling of spent but highly radioactive power-plant fuel. The political commitment to a single, permanent national repository has been strong enough to spend billions of dollars on preliminary construction activity but not strong enough to finish the project, and the Energy Department speaks hopefully of shifting to reprocessing and re-use instead of storage.

That option comes with its own set of challenges, but plant-site storage diminishes pressure to address them in the near term. It's even possible there are those—including some who are emphatically not opposed to nuclear energy—who would nevertheless be content to leave those issues permanently unaddressed.

FutureGen looks for a home

Once cancelled and now revived, a demonstration project for carbon capture and sequestration (CCS) technology has the green light to build in Illinois but needs a host community.

Last month one Illinois county turned down the clean-coal experiment and roughly a billion dollars in associated federal stimulus money after competing for the project for several years.

Coles County and its largest community, Mattoon, had been in the running for the FutureGen clean-coal plant, but changes announced by the Department of Energy earlier in August would send major components of the project to a different Illinois community 150 miles to the west, prompting Coles County's loss of interest.

Sites in Illinois and Texas competed for the plant before the federal government cancelled the project in 2008 because of rising costs, initially estimated at $1.5 billion. Plans were revived last year.

Department of Energy (DOE) officials announced in the first week of August that Mattoon would get the $1.2 billion underground CO2 storage facility but not the power plant that would produce the emissions. Instead, the DOE said, an old coal-fired plant owned by the St. Louis-based utility Ameren would be retrofitted with carbon-capture equipment at a cost of slightly more than $1 billion and a new pipeline would be built to transport the gas to Mattoon for storage.

In mid-August, Coles County economic development officials notified U.S. Senator Dick Durbin (D–IL) that in view of the changes, they were no longer interested in hosting FutureGen. Other downstate Illinois communities including Springfield and Decatur were said to be expressing interest; however, no further developments had been announced as of press time for this month's edition of *The Wire*.

Energy saver tip

A ceiling fan might call up images of hot climates, but it's not just a summertime appliance and running one could actually help you conserve energy. Ceiling fans aren't expensive to run, and summer or winter, by circulating the air in your rooms they even out hot and cold zones, helping more energy-intensive appliances like the furnace and air conditioner work more efficiently.

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Be sure
to check out the
Customers First!
website at

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Quotable Quotes

"Utilities do not want to take that risk. It's risk we don't control."

—Entergy Corp. CEO J. Wayne Leonard on concerns about the business, regulatory and political environment deterring his company and others from launching the much-heralded nuclear energy renaissance, at a Reuters Global Energy Summit in Houston, Texas, and quoted by Reuters News Service, May 25, 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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