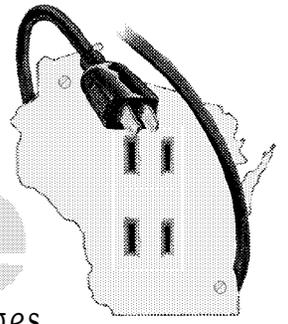


A Coalition
to preserve
Wisconsin's
Reliable and
Affordable
Electricity

Customers First!

the Wire



Plugging you in to electric industry changes

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Seven projects, five states, \$4 billion

Duke-American Transmission Company (DATC), formed earlier this year to—in the company's words—"plan and develop strategic transmission projects across the U.S. and Canada," rolled out its first major initiative last month. The Waukesha and North Carolina-based joint venture is calling for seven new transmission lines spanning the Midwest at an estimated cost of \$4 billion.



According to the company's announcement in mid-September, the projects in five states will "fill gaps in the existing transmission grid, improve electric system reliability and market efficiency, provide economic benefits to local utilities and enable increased delivery of high-quality renewable resources."

That last part—the delivery of primarily wind energy from the Plains States to population centers in the East—has at least theoretically been the main impetus behind a major transmission build-out under discussion by state and federal regulatory officials for the past several years.

Among issues driving the discussion has been the level of benefit to be derived by customers in any given state; that is, whether the power being transported through their areas

helps meet their direct needs and, accordingly, how the costs of the new infrastructure are allocated.

DATC has proposed the projects to regional transmission organizations serving an area that stretches all the way from Manitoba to the East Coast, though the projects would be built in just five states: Illinois, Indiana, Iowa, Ohio, and Wisconsin.

Project sizes range from just 65 miles to almost 700. They include more than

1,300 miles of 345-kilovolt lines—equivalent to the biggest transmission lines currently operating in Wisconsin—and 550 miles of 500-kilovolt direct-current lines. Construction is planned over a 10-year period.

DATC said it would soon begin meeting with local utilities, regulators, and other public officials in the five affected states to spell out its plans. 💡

Electricity sales-tax exemption proposed

Wisconsin residents currently don't pay sales tax on electricity or natural gas purchased for residential use during the cold-weather months. Now a bill pending in the State Assembly would extend the exemption year-round.

The proposal was introduced at the end of August by State Rep. Joel Kleefisch (R-Oconomowoc) and six other lawmakers.

Current Wisconsin law provides such an exemption from November through April. Assembly Bill 238 specifies that the tax does not apply regardless of when the energy is purchased.

The bill was referred to two committees: Assembly Energy and Utilities and the Joint Survey Committee on Tax Exemptions. A fiscal estimate produced late last month by the Department of Revenue projects that state and local governments would forego a total of \$88 million in tax collections annually as a result of extending the exemption for the additional six months. 💡



Rep. Kleefisch



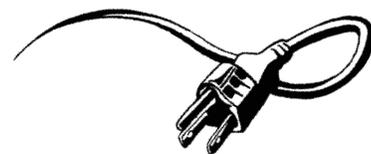
THE WIRE is a monthly publication of the *Customers First!* Coalition—a broad-based alliance of local governments, small businesses and farmers, environmental groups, labor and consumer groups, retirees and low-income families, municipal electric utilities, rural electric cooperatives, wholesale suppliers, 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 Associated Press recently published an interesting article about the demand for electricity in American households. The article described how even though the average home is bigger and contains more electronic devices, like cell phones, Digital Video Recorders (DVR), high definition TVs, and computers, all plugged into our homes' outlets, residential electricity use is leveling off. The AP writer cites experts at the Electric Power Research Institute—a utility-funded, non-profit research organization—who predict residential power demand to decline by 0.5 percent a year over the next 10 years. This would be quite a reversal from the previous 30 years, when demand rose by about 2 to 2.5 percent annually.

What's behind this drop? It's likely a combination of things that when taken as a whole shouldn't be too surprising. Reduced household income from the economic recession certainly makes people more conscious of conserving energy and saving a few bucks on monthly utility bills. And the weather is always an important factor as warmer winters and cooler summers don't require as much energy to keep homes comfortable.

But perhaps a bigger reason residential demand has slowed is that we now live in homes and use appliances that are much more energy efficient than they were in previous decades. A look at data from the U.S. Department of Energy's 2009 residential energy consumption survey bears this out. For example, the survey shows that 58 percent of residences had energy-efficient, multi-paned windows, up from 36 percent in 1993. One-third of household occupants used caulking or weather stripping to seal cracks and air leakages, one-quarter added insulation, and three out of five have some energy-efficient compact fluorescent (CFL) or light-emitting diode (LED) lights.



Bromley

New household appliances use less energy too. Most major appliances must meet minimum federal efficiency standards, and many homeowners are choosing more efficient Energy Star-rated products. The 2009 survey shows that more than 44 million households (39 percent) now have an Energy Star refrigerator and 41 million households (36 percent) have purchased an Energy Star clothes washer.

Energy efficient homes and products have helped offset increased demand from the growing number of electronic devices plugged in at home. In 1978, most households had only one TV. In 2009, the average household had 2.5 televisions. DVD players and DVRs, which did not exist 15 years ago, are now widespread. As of 2009, 79 percent of homes had a DVD player, and 43 percent had a DVR.

With new consumer products, including electric vehicles, on the horizon, we can be certain that how we use energy in our homes will keep changing. 💡

Offshore proposals sought for East Coast

There's a joke among physicists that says cold fusion is the clean energy source that's permanently just 30 years away from commercial development.

We haven't heard anyone joking about offshore wind energy development, but the technology, now in widespread application along northern European coastlines, has been struggling to—no pun intended—get off the ground in the U.S., both on the coasts and in the Great Lakes.

Now the federal government is trying to jump-start the technology. Late this summer, Interior Secretary Ken Salazar issued a call for formal requests from developers seeking regulatory clearance including leases on areas of the

sea floor off Massachusetts and Rhode Island.

One such project had already been proposed prior to the federal initiative. Developers applied to the federal government in December 2010 to begin regulatory review for the Deep-water Wind project, an array of 200 turbines with a 1,000-megawatt rated capacity off the Rhode Island coastline.

Fully permitted but entangled in litigation and still awaiting construction more than a decade after it was first proposed is the Cape Wind project on Nantucket Sound. Having cleared the regulatory hurdles, Cape Wind remains the front runner to become the nation's first offshore wind farm. 💡

Rivals say Duke proposal snuffs competition

If Ohio regulators approve, Duke Energy may have found the answer to customers switching providers under retail competition: Continue dogging them for power charges even if they leave.

Duke calls it an energy security plan and filed it with the state's Public Utilities Commission late this past spring. It applies to the company's generation rates, which are a separate item from distribution rates on a customer's monthly bill.

Duke is asking for rate hike of 8 percent for next year, with additional increases built in for future years. The plan would run for almost nine and-a-half years, ending in the spring of 2021.

Company spokeswoman Sally Thelen was quoted in the Hamilton, Ohio, *Journal-News* saying the economic recession drove down electricity demand and that led to competitive

power suppliers moving in and using lower rates to lure Duke customers away.

The energy security plan would insulate Duke against the consequences of customers

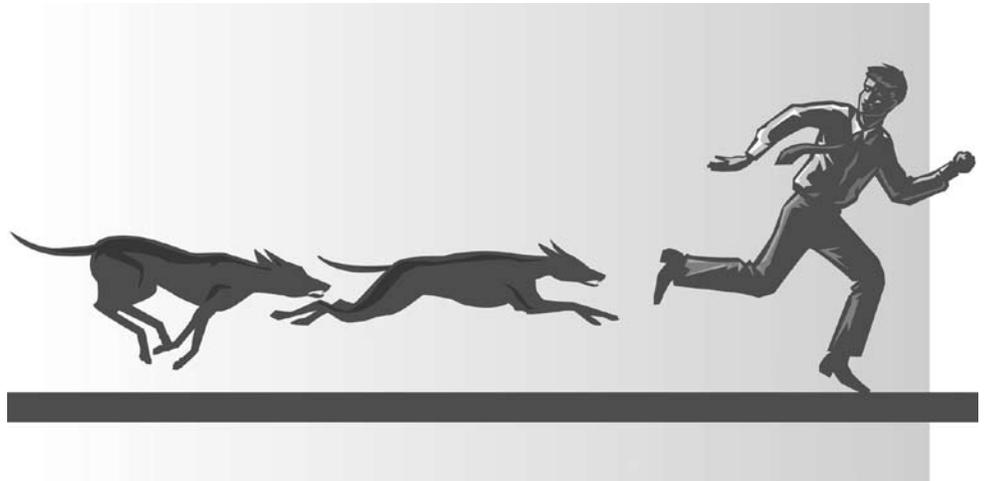
leaving—the company has to generate electricity anyway, even if increasing numbers of its retail customers were to choose a different supplier—by applying a “non-bypassable rider” to monthly bills. They could obtain their power from a different retailer but would still be helping to pay Duke's generation costs.

The *Journal-News* quoted William Massey, a Washington, D.C., attorney for a group of energy suppliers and large consumers called “Compete,” calling the non-bypassable rider “a fancy term for a surcharge.”

“This plan would move us back toward a monopoly-regulated system, where there is a single supplier of electricity and customers have no choice—Ohio is really at a crossroads.”

The Wire would say maybe so, except that Ohio was at a crossroads before, in the 1990s when it got caught up in the wave of electric utility restructuring. Its choice when it came to that crossroads has left it with a system arguably more subject to gaming than the system it left behind.

Meanwhile, inarguably, states that declined to make that choice continue to enjoy lower electric rates than the ones that did. 💡



Texas complaints explode since restructuring

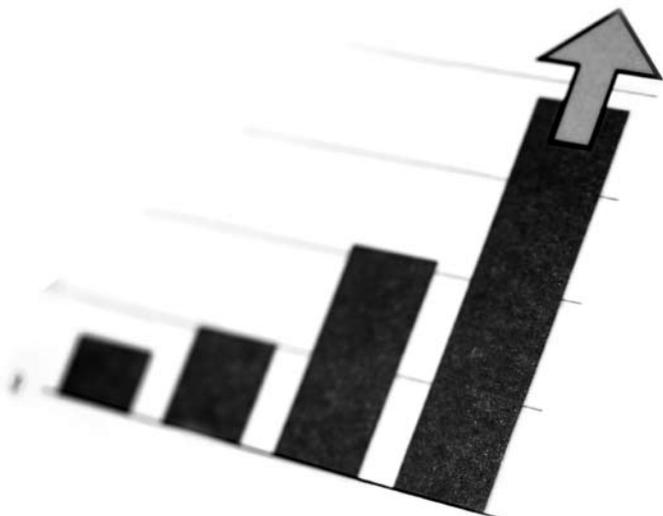
Before Texas restructured its electricity market in 2002, state regulators received about 2,000 customer complaints a year. Since restructuring, complaint numbers have gone through the roof.

The Texas Coalition for Affordable Power doggedly pursues information about what happens with prices and service in the restructured electricity market. Made up of about 150 cities that purchase power in the open wholesale market, the coalition announced its newest set of findings late this summer.

For the years 2002–2010, the coalition said, customer complaints to the Texas Public Utility Commission averaged more than 12,000 annually. That total is up from fewer than 2,100 complaints to the commission annually prior to restructuring, the coalition said.

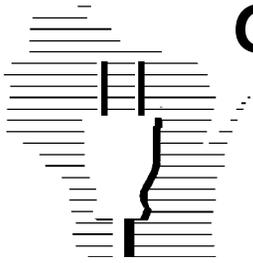
The majority of complaints involve billing but many complaints are related to quality of service according to Jay Doegey, Arlington city attorney and president of the coalition.

“We may have dozens of companies competing for customers under the state's electric deregulation law, but unfortunately that has not translated into better service,” Doegey was quoted saying in the Fort Worth *Star-Telegram*. 💡



Energy saver tip

Here's a quick test that could save you some money: On a chilly day, put your hand near an electric outlet in your home. If you feel a cold draft it means your heating system is working harder to keep up. Adding foam gaskets behind outlets and switch plates is a quick, easy, cheap way to keep winter air outdoors where it belongs. 💡



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Be sure
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website at



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Quotable Quotes

“In other words, the customers ensure we remain an Ohio business for years to come and make sure jobs stay, too.”

—Duke Energy spokeswoman Sally Thelen, describing her company's proposal to continue charging Ohio customers for energy production even if they switch to a different retail provider, quoted in the Hamilton (Ohio) *Journal-News*, August 31, 2011

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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