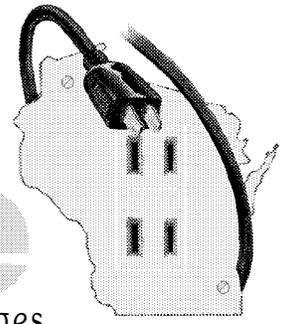


A Coalition
to preserve
Wisconsin's
Reliable and
Affordable
Electricity

Customers First!

the Wire

Plugging you in to electric industry changes



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In the dark

The laws of physics are just part of the problem in making retail electric competition work. There's also the matter of market transparency so consumers can make informed choices. But a Pennsylvania political scientist and fan of free markets says the way things are now, consumers are too often kept in the dark.

Penn State professor Matthew Woessner says he was hopeful when Pennsylvania restructured its electric utilities back in the 1990s, but a lack of market transparency has hampered the ability of consumers to look out for their own best interests.

In an op-ed article last month for the *Harrisburg Patriot-News*, Woessner confessed to a "renewed appreciation for the virtues of regulatory oversight," acquired when his discount electricity provider charged him "more than twice the going rate" on his bill for the month of June.

Woessner blames "lax disclosure require-



ments" for alternative power suppliers that offer variable rates, saying they can "raise electricity prices practically at will." And unlike variable-rate mortgages, which he says tend to change gradually, "Swings in variable-rate utility prices can be sudden and dramatic."

The professor faults state regulators for allowing companies to post prices that bear little relation to the highest prices they have charged in recent months and being less than strict in requiring up-to-date information.

"As it stands now, variable-rate customers are playing a kind of Russian roulette, as they consume electrical power with little or no idea of how the energy will be billed at the end of the month," Woessner wrote.

He maintains the belief that a restructured market with deregulated retail prices can work but "only when electric consumers are provided with clear and consistent information." Woessner listed a number of reasons why those conditions don't exist in Pennsylvania today. 💡

Longtime CFC board member Ceel retires

Customers First! wishes a long and happy retirement for Forrest Ceel, IBEW leader and CFC board member through the entire history of the organization in its present form.

Ceel has worked in the electric and gas utility industry since 1976. He became president of Local 2150 of the International Brotherhood of Electrical Workers in 1997, served as its business representative since 1998, and was elected its business manager in 2009. The local is the largest in Wisconsin representing energy and utility workers; its 4,700 members are employed by investor-owned, municipal, cooperative, and contractor energy providers.

In addition to his service as a director

of *Customers First!*, Ceel has served on the Governor's Task Force on Energy Efficiency & Renewables; participated in a Legislative Council study of utility Public Benefits; represented Local 2150 since 1998 in legislative and regulatory proceedings aimed at improving the state's generation, transmission, and distribution systems; and served on the Governor's Task Force on Global Warming.

His idea of recreation is hiking to and camping at the bottom of the Grand Canyon, something he's done five times, and watching the Packers beat the Bears.

"Forrest's participation in the *Customers First!* Coalition will be greatly missed," said

CFC Executive Director Matt Bromley. "Utility workers are essential to ensuring safe, reliable, and affordable electricity for Wisconsin's electric consumers. We look forward to building upon the legacy of collaboration with IBEW that Forrest has so effectively forged." 💡



Forrest Ceel

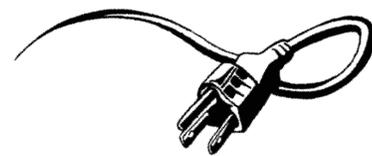
THE WIRE is a monthly publication of the *Customers First!* Coalition—a broad-based alliance of local governments, small businesses and farmers, environmental groups, labor and consumer groups, retirees and low-income families, municipal electric utilities, rural electric cooperatives, wholesale suppliers,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



U.S. government support for energy-related programs may plunge as Congress and President Obama follow through on the debt-reduction deal struck last month. Under the Budget Control Act of 2011, the Congressional Budget Office estimates that spending cuts would total at least \$2.1 trillion over the next 10 years. To reach this mark, the Act caps discretionary funding to generate more than \$900 billion in savings and creates a 12-member panel to identify and recommend to the president and Congress an additional \$1.2 trillion in program cuts or tax revenues.

Some of the federally supported programs that could take a hit include energy assistance for low-income families and incentives for the development of renewable energy. Cuts to these programs could be substantial, especially when compared with the level of funding they received in recent years and from the economic stimulus bill enacted in 2009.



Bromley

Even before the debt-reduction deal was reached, efforts were underway to scale back the amount of funding for the Low Income Home Energy Assistance Program (LIHEAP), a federally funded block grant for states to help low-income households pay for home energy costs. In his FY 2012 budget request to Congress, President Obama proposed slashing LIHEAP funding nearly in half from \$5.1 billion to \$2.75 billion. Under the president's budget, the average benefit for Wisconsin recipients would fall from \$455 in 2011 to \$202 in 2012. This amount, though, may be further reduced if the 12-member deficit-reduction panel recommends deeper cuts to LIHEAP than the president proposed.

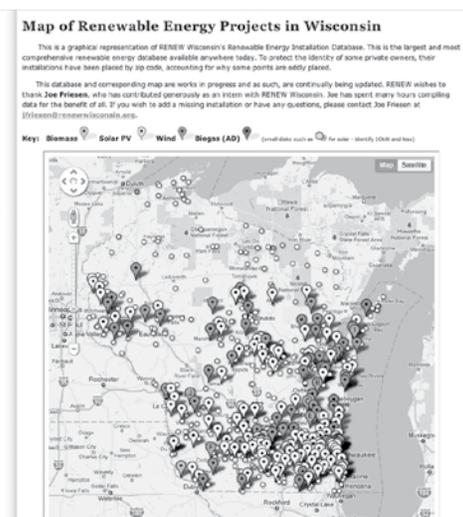
Uncertainty in government support is nothing new to the renewable energy sector. The wind-power industry has often had to ask Congress to extend the production tax credit (PTC—a per-kilo-watt-hour tax credit for electricity generated from wind and other qualified resources). Enacted as part of the Energy Policy Act of 1992, the credit has gone through several cycles of expiration and renewal. The PTC is set to expire in 2012 and its fate beyond then could be decided in the debt reduction negotiations. Expect wind energy supporters to point to the positive impact on jobs as justification to renew the tax incentive.

The PTC may survive the debt reduction axe, but other programs are more vulnerable. The 2009 stimulus bill provided \$65 billion for clean energy, including loan guarantees for solar and wind power, funding for state programs to weatherize homes and make them more energy-efficient, research into battery-powered cars and trucks, and systems to capture carbon dioxide from power-plant emissions. By mid-2012, all the money should be spent. And, with the current fiscal mood in Washington, don't hold out much hope for more money to come. 💡

Website tracks renewables

The Wire frequently reports on renewable energy developments in Wisconsin and elsewhere. Now, thanks to RENEW Wisconsin, it's possible to see where development activity has been taking place across the state at one, convenient website.

Go to <http://www.renewwisconsin.org/data/projects/wimap.html> for a look at the interactive feature showing where all the renewable installations are on a map of Wisconsin. 💡



More delays for carbon-capture projects

A series of public hearings early in June was supposed to pave the way for a long-awaited carbon capture and sequestration project in Illinois, but the U.S. Department of Energy (DOE) says it will conduct a second round of hearings next spring before deciding its next moves.

The DOE has committed to underwrite \$1 billion of the \$1.3 billion FutureGen project, in cooperation with an international consortium of coal companies called the FutureGen Alliance.

The Alliance would need to build a pipeline of approximately 30 miles to carry pressurized carbon dioxide from a modified power plant to its chosen underground disposal site near Jacksonville, Illinois. But the DOE's latest word is that a siting decision won't come before the fall of 2012.

The most recent slowdown for FutureGen—a project that over the past decade has been delayed, cancelled outright at one point, and revived—became known shortly before American Electric Power's (AEP) mid-July decision to bail out of a \$668 million carbon capture plan it launched in 2009.

The Columbus, Ohio-based utility cited high costs in the decision to terminate the experiment at its Mountaineer Plant in West Virginia just after completing its first phase. AEP had been working on that initial phase, to capture and store CO₂ emissions from 20 megawatts of generation, since 2003.

The project became operational in 2009 and AEP announced plans to go ahead with the larger, second phase, but according to a report

in *The Columbus Dispatch*, the company concluded that using existing carbon capture systems would consume a third of the plant's electricity output and double the cost of production compared with a plant fired by natural gas.

A DOE grant was expected to finance about half the cost of the cancelled second phase, which aimed at burying about 1.5 million tons of CO₂ annually beginning in 2015.

The difficulty of broadly applying the technology on a commercial utility scale was summed up in a remark to *Platts Energy Week* by Joan MacNaughton, a senior executive with global utility equipment manufacturer Alstom.

MacNaughton told a *Platts* interviewer companies and investors won't move ahead with the technology unless it's mandated by governments. 💡

Restructured Texas utilities come up short in the heat

The claims fly back and forth about the restructured Texas electricity market working just fine for consumers or taking them for a ride, depending on who's talking. One thing that's not a matter of opinion: Texas utilities were unable to manage the July heat wave without curtailing service, and rolling blackouts were barely avoided.

The Wall Street Journal reported, "The emergency shines a light on the vulnerabilities of Texas' deregulated market." Among other things, the *Journal* noted, "State officials have few tools to stimulate construction of new power plants."

In the three-fourths of the state where utilities have been restructured, regulators lack authority to order new generation built. And while generation operators typically schedule

maintenance outages for spring or fall, when weather is milder and demand is less, as much as 5,000 megawatts of Texas generation capacity was off-line at times last month.

Another 1,000 megawatts unavailable on August 4 would have forced rolling blackouts, the *Journal* noted.

The Wire hasn't had time to search out data that might indicate a difference in performance between the restructured and non-restructured parts of Texas. It's an intriguing question and we aren't sure what to expect: It was hot everywhere.

But we do know the summer brought a widespread heat wave across the U.S. and peak demand records were falling on a daily and hourly basis for utilities all over the country. We know that happened in Wisconsin, where state policymakers decided early in the previous decade not to restructure our utilities—and where the big heat wave brought no reductions of service except through voluntary conservation programs. 💡

Generation up, coal down, EIA finds

Overall electricity generation in the United States was up slightly—a bit less than 1 percent—in the first quarter of 2011, but the share of total output produced from coal was down, dropping to its lowest first-quarter percentage in more than three decades.

Those findings come from data released this summer by the federal government's Energy Information Administration (EIA). Coal-fired generation during the first quarter accounted for 46 percent of total generation nationwide, down from 49 percent in the same period last year and from 52 percent in the first quarter of 2008.

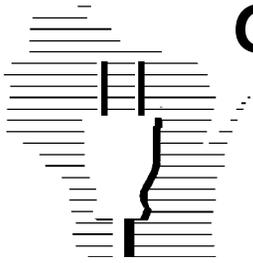
The gradual move away from coal, observed nationwide, was attributed not to a shift toward alternative energy sources but rather to natural gas, with gas prices having remained stable while the price of coal has climbed steadily for almost two years, the EIA noted.

Even in the Midwest, historically more dependent on coal than any other region, the trend is pronounced. EIA data show coal's share of generation in the region slipping from a percentage in the low 70s four years ago to just below 67 percent in the first quarter of this year.

Generation from natural gas in the Midwest gained two percentage points compared with the first quarter of 2010, the EIA said. 💡

Energy saver tip

Your refrigerator might be working overtime if you haven't recently cleaned the coils that dissipate excess heat. And it's easy! Especially if you have pets in the house, a careful vacuuming of external coils and underneath every few months will ensure ease of ventilation and more efficient operation, even cutting down routine wear and tear so your appliance may last longer. 💡



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Be sure
to check out the
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website at



www.customersfirst.org



Quotable Quotes

“While the consumer is perfectly capable of looking out for his or her own best interest, regulatory agencies can play an important role in forcing companies to disclose the true cost of their products and services.”

—Penn State professor Matthew Woessner, on his exasperation at the amount charged on his variable-rate electric bill, and quoted in the *Harrisburg Patriot-News*, August 14, 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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