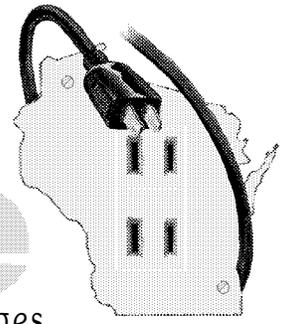


A Coalition
to preserve
Wisconsin's
Reliable and
Affordable
Electricity

Customers First!

the Wire



Plugging you in to electric industry changes

608/286-0784 • P.O. Box 54 • Madison, WI 53701 • www.customersfirst.org • DECEMBER 2011 • Vol. 16, No. 12



Economic development rates stalled in legislative committees

A controversial proposal to offer discounted electric rates for businesses that might not otherwise expand or even remain in Wisconsin was being reshaped by state lawmakers in recent weeks, but as of press time for this month's edition of *The Wire* it remained uncertain whether the bill would get past the committee stage before lawmakers call it quits in the spring.

The rewrite of special-session legislation aimed at attracting new businesses and preserving existing jobs had thus far failed to allay concerns about favored electricity customers being subsidized by others.

The proposal authorizing "economic development rates" for new business startups and existing businesses whose continued operation might hinge on smaller electric bills was being held up in committees of both legislative houses.

Members of the legislative utilities committees were said to be concerned with issues over subsidization and allowing utilities and the Public Service Commission to pick and choose which businesses could receive more favorable rates. 💡

Public gets its chance at transmission review

Interested citizens have a few more weeks to record their views in the initial phase of regulatory review for a proposed new western Wisconsin transmission project, following the November joint release of a draft environmental impact statement (EIS) by the Public Service Commission (PSC) and the Department of Natural Resources (DNR).

The PSC is accepting public comments on the quality and accuracy of the draft EIS through Friday, December 23.

Two member organizations in the *Customers First!* Coalition are among the broader group of mainly Wisconsin and Minnesota utilities advancing the CapX2020 transmission upgrades, of which the proposed Alma-La Crosse line is one segment.

The 40- to 55-mile line—depending on which of nine possible route variants is ultimately selected—was assigned a "fast-track" priority by the federal government early this fall, as reported in the November edition of *The Wire*.

One reason for the fast-track status is the expectation that the stronger transmission grid enabled by CapX2020 would facilitate the delivery of wind energy from the Northern Plains to larger population centers from the Twin Cities eastward.

In the draft EIS, staff members at the PSC indicated some uncertainty whether future population growth in the La Crosse-Winona area would drive electricity demand growth sufficiently to make the line necessary. Utilities seeking approval to build the line indicate confidence that the need will be well-established through further analysis, public hearings, and related comment over the coming months.

Those hearings and comment periods are to take place during the first half of 2012. The draft EIS indicated the line, if approved, would likely be in service by mid-2016.

Proponents said the Alma-La Crosse line would address needs including not only growing power demand, but also access to lower-

cost energy and improved system reliability in the region. 💡

Save the date!

Convenient online registration is now available for the annual *Customers First!* Coalition POWER Breakfast at Madison's Concourse Hotel.

The 2012 event comes early in the year—Wednesday, February 15. It's free, and it's an opportunity to hear industry experts and others discuss up-to-date information regarding issues facing electric power providers and customers today.

To register, visit www.customersfirst.org or contact *Customers First!* Executive Director Matt Bromley at 608-286-0784 or mbromley@customersfirst.org.

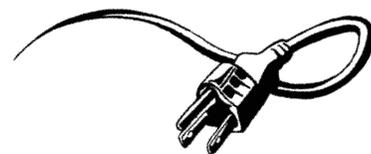
THE WIRE is a monthly publication of the *Customers First!* Coalition—a broad-based alliance of local governments, small businesses and farmers, environmental groups, labor and consumer groups, retirees and low-income families, municipal electric utilities, rural electric cooperatives, wholesale suppliers,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



Retail competition in electricity markets is built upon the assumption that, given a choice, consumers will actively shop for an electricity provider that offers services at a price that fits the consumers' needs. But what if consumers don't shop? Does that mean the market isn't working?

Utility regulators in Pennsylvania are grappling with this question after figures showed fewer than one out of four residential customers had switched away from an incumbent, or default, utility since the last of the state-imposed rate caps expired at the end of 2010. The Pennsylvania Public Utilities Commission is reviewing the progress of the state's decade-long restructuring of its retail power market and whether reforms are necessary to prod customers to shop for alternative energy suppliers. According to surveys presented to commissioners last month, nearly all customers are aware that they have a choice but didn't make a switch because they are either happy with their default suppliers, don't think they will save money, or think switching is too much of a hassle.

Concerned that customers are missing out on good deals for electricity prices and services by not switching to alternative providers, Pennsylvania regulators are considering reform measures that would make it more difficult for customers to stay with their default suppliers—or that would do away with a default option altogether. But consumer advocates, such as the AARP, argue that nothing is wrong with customers making a conscious decision to stay put.

In comments filed with the commission, the advocacy group for retirees says, "AARP does not agree that the market for electric generation supply services should be defined merely by the customer migration rate. To do so is to assume the market exists to serve companies, not consumers. Consumers who choose default service should not be considered uninformed, unenlightened or in any way bad consumers. Everyone has been marketed to and everyone who is taking default service has chosen not to switch providers. The state should honor their choice."

Sonny Popowsky, the consumer advocate of Pennsylvania, agrees with the AARP. He testified before the commission that the ability of consumers to receive retail default service lies at the very heart of the restructured Pennsylvania electric system. "Default service, particularly for residential customers, is what makes it possible for all Pennsylvania consumers to receive the benefits of competitive generation service, whether or not they choose to shop for retail service from an alternative supplier," said Popowsky. 💡



Bromley

Energy efficiency holds its appeal

The consulting economists of the Brattle Group have released a report projecting that energy efficiency practices will probably shave 5 to 15 percent off U.S. electricity consumption over the coming decade.

Their report, made public in mid-November, is based on a survey of 50 industry experts and reflects the impact those experts anticipate efficiency measures will have in holding energy demand growth below forecast trends.

Factors contributing to the reductions, they say, include rising costs of producing and delivering electricity and natural gas, rapid improvements in appliance and building technology, new methods of setting retail rates, and changing attitudes across society.

New ratemaking techniques are expected to

play a major role, with between 7 and 20 percent of residential customers likely to participate in "dynamic pricing" programs. Those programs are expected to have a considerably broader impact among big energy users, with participation rates among commercial and industrial customers likely to reach 10 to 30 percent, the report said. 💡

Energy saver tip

Crisp fall weather and the occasional "winter mix" of precipitation make the warm glow of a fireplace hard to resist. But remember to close the damper when the fire's out so your chimney doesn't draw the warm air from your house into the great outdoors. 💡

Court yanks offshore wind farm's approval

The Federal Aviation Administration (FAA) misinterpreted its own regulations in approving the Cape Wind project on Nantucket Sound, the U.S. Court of Appeals for the District of Columbia Circuit has ruled.

The decision, which came at the end of October, represents the second setback this year for what would be the nation's first offshore wind-energy facility and had been—until the recent ruling—the first to have its federal regulatory approvals in hand.

Officials of Cape Wind Associates were undismayed by the ruling, predicting it would not delay completion of the project. Communications Director Mark Rodgers said the regulatory authorization vacated by the ruling was set to expire in 90 days. The company would then have to apply for a renewal, and “this lets us begin that process sooner.”

The previous setback occurred in May when the U.S. Department of Energy said it would not give Cape Wind a federal loan guarantee.

The October decision notes that the FAA issued 130 separate “Determinations of No Hazard”—one for each of the 440-foot tall turbines proposed for construction on a 25 square-mile expanse of Nantucket Sound.

But the court found that the FAA failed to take into consideration specific hazard criteria

spelled out in its own handbook.

The record of agency decision-making includes multiple warnings that pilots operating under visual flight rules (VFR) would often have difficulty maintaining a safe distance from the turbines while staying below an overcast, the court noted.

The decision cited a 2004 statement by the



National Air Traffic Controllers Association that placement of the turbines in the Sound would be “a disaster waiting to happen.” Cape Wind, however, produced a 2008 letter from the CEO of a locally based airline saying he was “increasingly comfortable” that the project would have “no adverse impact on air transportation or navigation in the region.”

A consultant's study commissioned by the FAA counted 425 VFR flights through the project's immediate vicinity during a 90-day period, nearly all at altitudes below 1,000 feet.

According to the FAA handbook, height exceeding 500 feet is one way a structure can present a hazard. The court said the agency erred by assuming that was the only way.

The FAA “cut the process short in reliance on a misreading of its handbook and thus, as far as we can tell, never calculated the risks in the first place,” the decision said.

The matter was remanded to the FAA “to address the issues and explain its conclusion.”

Cape Wind's Rodgers said “the essence” of the ruling is that the FAA needs to do a better job of explaining why it determined there would be no hazard.

“We are confident that after the FAA does this, that their decision will stand and we do not foresee any impact on the project's schedule in moving forward,” Rodgers said. 💡

Clean coal still struggling in Illinois

Clean coal projects south of the state line have been widely believed for nearly a decade to represent the future of fossil energy, a key phrase being “nearly a decade.” Proponents from around the world continue to wrestle—in the Illinois Legislature and elsewhere—with the difficulties of getting something underway.

At the beginning of November, *Medill Reports* (at Northwestern University's Medill School of Journalism) published an item saying the proposed Tenaska clean coal plant near Springfield “remains on life support.”

The occasion was the Illinois Senate's second defeat of a bill requiring the state's utilities to buy power from the Tenaska plant for 30 years, a guaranteed market considered crucial to the project moving forward. The project received its first regulatory approvals

in the spring of 2007.

The planned FutureGen project, also not far from Springfield, has been around longer. Relying on federal funding for the bulk of its costs, FutureGen was initially announced in 2003, dropped by the Bush administration as too expensive, and revived in 2010 with the pledge of \$1 billion in American Recovery and Reinvestment Act funding to underwrite its \$1.3 billion overall cost estimate.

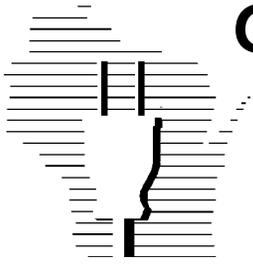
This fall FutureGen developers including international coal-mining firms said they were on schedule in drilling a western Illinois test well for storage of captured carbon dioxide by 2016. The project would convert an old oil-fired power plant to burn coal, capture its emissions, and pump them into rock formations nearly a mile underground.

But in mid-November St. Louis, Mis-

souri-based Ameren, the utility owner of the plant to be modified, was in discussions with the developers, the FutureGen Alliance, to reduce its involvement in the deal and transfer a \$730 million Department of Energy grant issued last year.

A November report in *Bloomberg BusinessWeek* indicated financial constraints were behind Ameren's desire to step out of its leading position. Spokespeople for the alliance maintained that Ameren did not intend to pull out of the venture altogether.

Another utility backer, American Electric Power, withdrew from the FutureGen project in 2009 to pursue its own carbon capture and sequestration project in West Virginia. That project was terminated earlier this year after completion of its first phase was judged successful but prohibitively expensive. 💡



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Be sure
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www.customersfirst.org



Quotable Quotes

“The FAA may ultimately find the risk of those dangers to be modest, but we cannot meaningfully review any such prediction because the FAA cut the process short in reliance on a misreading of its handbook and thus, as far as we can tell, never calculated the risks in the first place.”

—Federal Appellate Judge Stephen Williams, in his opinion vacating the Federal Aviation Administration’s approval of the Cape Wind project, October 28, 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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Plugging Wisconsin In

