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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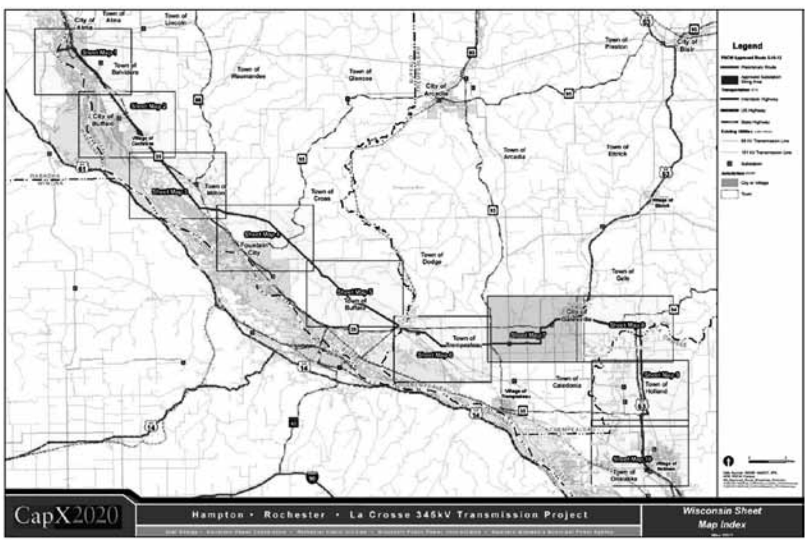
PSC tweaks, approves, new transmission project

A unanimous Public Service Commission gave preliminary approval last month to a new transmission line in western Wisconsin. It's less than 50 miles long, but it connects with a huge transmission build-out crossing Minnesota.

The commission was expected at its May 30 meeting to finalize its order granting a Certificate of Public Convenience and Necessity for the Alma-to-Holmen segment of the CapX2020 transmission project.

CapX2020 spans hundreds of miles in multiple segments crossing Minnesota and reaching the Dakotas, and among other things is expected to make wind energy from the Great Plains states more readily available in Wisconsin and points east. The Wisconsin leg includes about 48 miles of 345-kilovolt line.



In reaching their decision last month, the three commissioners agreed that the line is needed for purposes of local and regional transmission reliability and affordability. They also agreed unanimously on a route. The new line would cross the Mississippi River at Alma and proceed to Galesville in Trempealeau County, running from there to the Briggs Road substation west of Holmen.

According to the PSC, the total approved cost of the project will be approximately $202 million. The commission said the final number would change because of "slight modifications to the route requested by the commissioners."

Dairyland Power Cooperative, WPPI Energy, and Northern States Power-Wisconsin initially applied for authority to build the project in April 2008.

The Minnesota Public Utilities Commission voted April 12, also unanimously, to approve the Minnesota segment of the line that will connect with the Wisconsin leg.

Markets need help, Maryland concludes

Electric restructuring, the logic of the 1990s suggested, would make utility regulators ordering construction of generating plants a thing of the past: Facilities would spring up as entrepreneurs rushed to expand supply and reduce prices in competitive markets.

So, why is the Maryland Public Service Commission ordering utilities to build a major new power plant?

The commissioners said they can't rely on the regional wholesale power market to spur development of new generation in Maryland, and they ordered the state's investor-owned utilities to contract for a 661-megawatt natural-gas–fired plant.

A report in the American Public Power Association's *Public Power Daily* noted that there have been no significant additions to Maryland's generation fleet in nine years, this despite wholesale prices that should be attractive to power producers.

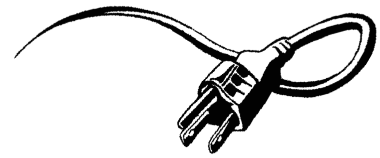
The commissioners attribute this to the wholesale market structure, saying its capacity auction—which sets prices for generation commitments over a one-year period, three years out—doesn't offer

Continued on page 2...

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 regional power grid spanning Wisconsin and much of the Midwest may soon take on a Southern flavor. In April, the U.S. Federal Energy Regulatory Commission (FERC) approved a cost allocation plan to facilitate the integration of Louisiana-based Entergy Corp. into the Midwest Independent Transmission System Operator, Inc. (MISO). Entergy has utility operations in Arkansas, Louisiana, Mississippi, and Texas and will add about 15,000 miles of high-voltage transmission lines and 30,000 megawatts of generation capacity to the MISO footprint.

Last year, MISO completed an analysis that shows Entergy's integration will increase value—more than $500 million per year—to both the Entergy region and to the existing MISO footprint. These benefits come from improved transmission reliability, more efficient use of existing electric system assets, and a reduced need for future generation assets. In addition, MISO points out existing members will benefit from reduced administrative costs as there will be a larger pool of members to share these costs.

Bromley

Entergy announced its intention to join MISO more than a year ago, but state regulators with jurisdiction over Entergy's utilities raised concerns about customers paying for projects already planned by MISO. To address those concerns, MISO proposed a five-year transition plan to FERC. During the transition period, Entergy would be off the hook for the cost of network upgrades outside its region and approved before or during the transition period. Also during this time, MISO would identify necessary network upgrades in the Entergy region. After the five-year transition period, the cost of all network upgrades would be allocated across the MISO and Entergy regions.

FERC also accepted MISO's plan on how to deal with the challenging issue of allocating costs for Multi-Value Projects, or MVPs, during the Entergy integration. MVPs are transmission projects that are deemed to provide broad system-wide benefits and support federal or state policy mandates, such as renewable energy standards. Because these projects are intended to provide benefits to all transmission system users, the costs are socialized across the MISO footprint. In its filings with FERC, MISO says that if it is able to develop a portfolio of MVPs before or during the transition period that satisfies a cost-benefit test, then regional cost sharing will be phased in over eight years.

FERC's endorsement of the integration plan is a big step toward Entergy membership in MISO, but approval from Entergy's state regulators is still needed before transmission assets can be transferred. No state has yet approved the transfer.

Maryland markets

Continued from page 1...

enough certainty for prospective generation suppliers to secure financing in today's economic climate.

The commissioners pointed to the wholesale market's deficiencies, expected retirements of coal-fired plants, and other factors as reasons for wanting new generation available by 2015.

Public Power Daily reported that the commissioners looked at the expected three-year time frame to build a new plant and said they needed to act, quoting the commission as saying, "Much as Branch Rickey advised, '[T]rade a player a year too early rather than a year too late,' we find it reasonable and prudent to act conservatively and before a serious reliability crisis occurs."

Energy saver tip

Is landscaping or outdoor lighting on your to-do list this summer? If so, the advantages of solar-powered garden and patio lighting units are not to be overlooked. They're ultra-safe because they need no wiring. They're economical because the power is free. And they add nothing to electricity demand.

Wind developers on the bubble

Last month we reported accelerated wind energy development in the U.S. and the likelihood that it will all but cease if Congress doesn't renew the Production Tax Credit before year's end. Now the nation's biggest wind developer says it will walk away from the business in this country if the credit is allowed to expire.

At just about the time our May edition went to press, the renewable energy trade publication *Renewablesbiz* reported that Florida-based NextEra Energy is considering a stock buyback in 2014 and is not anticipating additional wind development in this country after this year.

The report quoted NextEra Chief Financial Officer Moray Dewhurst saying the company would move ahead with completion of an existing backlog of projects, but "We have no expectations for (new) U.S. wind beyond 2012."

Then came Spanish wind-energy developer Iberdrola, confirming near the end of May that the shaky status of the federal wind energy production tax credit was the major factor in its cancellation of two Pennsylvania projects with a total of more than 60 turbines.

According to a report in the Pittsburgh Post-Gazette, an Iberdrola spokesman said the tax credits, scheduled to expire at the end of 2012, "are a big part of" his company's decision to focus on operating existing facilities rather than build additional new ones.

Low energy demand is also a factor in the decision, he said.

The Iberdrola announcement follows a first quarter that saw installation of almost 800 new turbines nationwide, for a rated capacity addition of nearly 1,700 megawatts, as developers have hurried to beat the deadline for the expiring tax credits.

The credits have expired and been renewed by Congress on three previous occasions, leading to boom-and-bust cycles in wind development.

Yucca lives?

For a couple of years now, we thought it was just a memory. But the Yucca Mountain project had a day in court last month and based on questions from a three-judge panel, the resumption of license review proceedings can't be ruled out.

The judges, from the U.S. Court of Appeals for the District of Columbia, heard arguments that the Nuclear Regulatory Commission (NRC) lacks proper authority for its 2011 action abandoning further development of the spent nuclear-fuel repository in the Nevada desert.

Media accounts suggested the judges might be receptive to contentions that the NRC unlawfully ignored the Nuclear Waste Policy Act of 1982, which requires the government to provide a permanent storage facility for high-level radioactive material.

One judge was quoted by the Las Vegas *Review-Journal* remarking that the NRC action "would be a shift of power from Congress" to the executive branch. Another was quoted saying that if the agency's reason for setting aside the statutory requirement was "just, 'we don't like it,' well that's not good enough."

Observers could be forgiven for taking a "so-what" attitude, given the obvious doubts as to how much additional work could be completed in the now-suspended license review process for the half-completed facility. About $10 million remains available from funds previously appropriated, but Nevada Sen. Harry Reid, whose home state has litigated for years to stop the project, has blocked further funding.

Plaintiffs agreed in last month's proceedings that the available $10 million would probably not be sufficient to finish the licensing review. In the event that development work resumes, costs to complete the facility are expected to be several billion additional dollars.

And in yet another odd twist, the Obama administration said it plans to move quickly to appoint a successor to NRC Chairman Gregory Jaczko, who announced his resignation near the end of May.

A former employee of Senate Majority Leader Reid who was appointed to the NRC by President Bush in 2004, Jaczko was elevated to the chairmanship by President Obama in 2009. The initial appointment was widely regarded as being engineered by Reid as part of his strategy to block completion of Yucca Mountain. In recent commission votes, Jaczko has been conspicuous as the lone dissenter. With the other seats divided between Democrats and Republicans, he was outvoted 4–1 in his efforts to tighten requirements on nuclear plants since the 2011 Japanese disaster.

The choice of a successor may be influenced by a need to obtain confirmation support from at least some Senate Republicans, as nuclear energy and energy issues in general have assumed a higher political profile and—certainly at the congressional level—increasingly cut across party lines.

Scam alert

A false promise of big credits against utility bills has induced some Illinois customers to reveal their social security numbers to total strangers. We haven't heard of this racket appearing in Wisconsin but it's worth a word of warning—and a call to the *Customers First!* Coalition from any reader who hears of it creeping across the state line.

In mid-May, officials at St. Louis-based Ameren—which serves many customers in Illinois—warned of a scam involving telephone callers obtaining social security numbers with the lure of a bogus utility-bill credit.

According to a report in the Bellville (Illinois) *News-Democrat*, scammers tell the intended victim President Obama is providing payments or credits of as much as $1,500 against utility bills. To have the payment or credit applied against their bills, the targeted customers are told, they must use a bank routing number provided by the scammers and give the caller their social security number as the bank account number.

The routing number is a fake, and divulging the social security number achieves nothing except to facilitate identity theft.

The *News-Democrat* suggested the scam is apparently widespread; scammers have solicited utility customers face-to-face, posted fliers, and used social media and texting to deceive unsuspecting victims.

The Wire has heard no reports of any similar scam operating in Wisconsin, but readers are strongly encouraged to contact the *Customers First!* Coalition at 608-286-0784 to help get the word out if such activities should come to their attention.

Customers First!

P.O. Box 54
Madison, WI 53701

A **Coalition**
to preserve
Wisconsin's
Reliable
and Affordable
Electricity

Be sure
to check out the
Customers First!
website at

www.customersfirst.org

Quotable Quotes

"We do not find it reasonable...to entrust the reliability of our State's electricity supply entirely to the operation of a capacity market that, by design, seeks to incent long-term assets solely through short-term price signals…we would flout the intent of the General Assembly if we ignored our authority under State law in order to see whether the capacity market construct someday might work."

—The Maryland Public Service Commission, April 12, 2012, in an order directing utilities to contract for a new power plant to guard against wholesale-market reluctance to add capacity in response to customer demand

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.

Customers First!
Plugging Wisconsin In