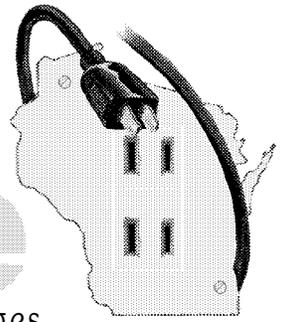


A Coalition
to preserve
Wisconsin's
Reliable and
Affordable
Electricity

Customers First!

the Wire



Plugging you in to electric industry changes

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New wind application filed; rules still in play

The Public Service Commission (PSC) is reviewing the first application in a few years to build a major Wisconsin wind farm. Meanwhile, a new legislative proposal seeks to bypass PSC wind-siting rules that look increasingly likely to take effect soon.

The commission says it's required to take into consideration the statewide siting rules suspended early last year by the Legislature as it considers the application to build a large wind farm in St. Croix County.

Application for a Certificate of Public Convenience and Necessity (CPCN) was filed December 16 for Highland Wind Farm, LLC, by William Rakocy of Hubertus, a principal in

Emerging Energies of Wisconsin, LLC.

The recent lull in Wisconsin wind-energy development had been widely ascribed to the difficulty putting a set of uniform siting standards in place, but that is a direct concern only for projects with a rated capacity of less than 100 megawatts. For projects that size or larger, or for utility-owned systems of any size, the PSC, not local municipalities, has full regulatory jurisdiction.

The Highland project, with its planned 41 turbines in the St. Croix County Town of Forest, has a rated capacity of 102 megawatts. A substation and related transmission infrastructure would be located in the adjacent Town of Cylon.

Documents submitted with the application indicated there were no power purchase agreements in hand but the developers said they were in contact with multiple entities about sales of the wind farm's output.

A PSC determination that the application is complete—still pending at press time for this edition of *The Wire*—would leave the commissioners 180 days (and the possibility of a 180-day extension) to decide whether to grant the CPCN.

That time frame opens multiple possibilities: The siting standards currently under legislative suspension could be modified with a greater setback distance before a regulatory decision is required. Or the standards as currently written could take effect automatically upon the 2011–12 Legislature concluding its regular business next month and be in place well before the PSC has to make a decision. A third possibility arose in

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FOCUS offering residential programs

Wisconsin Focus on Energy has announced it's launching a series of new initiatives aimed at promoting residential energy efficiency. New programs being offered this year include:

- Residential Rewards—providing incentives for prequalified water heaters, furnaces, and boilers.

This spring, other incentives for building shell improvements, attic insulation, and renewable energy will become available.

- Home Heating As-



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assistance—energy customers meeting income guidelines will be able to receive increased incentives for prequalified furnaces and boilers.

- Energy Star Lighting—incentives for qualifying lighting and shower heads will be available through participating retailers statewide.
- Single Family Direct Install Program—free home energy evaluations are offered, along with free direct installation of compact fluorescent light bulbs and water-saving measures.
- Appliance Recycling—beginning in March, residential customers who turn in qualifying, older, working appliances such as refrigerators and freezers can obtain incentive payments along with free collection and recycling services.

William Haas, director of program administration, said the new initiatives would allow the Focus program to deliver cost-effective energy savings to new market segments. Questions about the programs or participation can be directed to Focus on Energy customer service at 800-762-7077 or focusinfo@focusonenergy.com. 

Still time to register for POWER Breakfast

Don't miss the *Customers First!* Coalition 2012 POWER Breakfast, featuring national energy issues consultant Deborah Sliz. It's February 15 at the Concourse Hotel in Madison.

Online registration is available for the free event. Visit www.customersfirst.org or contact *Customers First!* Executive Director Matt Bromley at 608-286-0784 or mbromley@customersfirst.org.

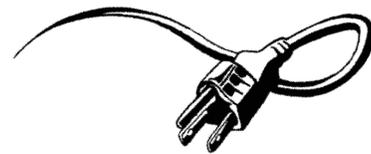
THE WIRE is a monthly publication of the *Customers First!* Coalition—a broad-based alliance of local governments, small businesses and farmers, environmental groups, labor and consumer groups, retirees and low-income families, municipal electric utilities, rural electric cooperatives, wholesale suppliers,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



A showdown between federal regulators, power grid operators, and state officials continues to loom in New Jersey over the state's authority to encourage development of new power plants. At the heart of the issue are New Jersey's electricity rates, which for years have consistently ranked among the highest in the country and continue to plague a state that deregulated its electricity industry a decade ago with expectations that competition would drive rates downward. When power suppliers failed to enter the market and compete for customers, the promise of falling electricity prices failed to materialize. Now, with insufficient in-state generation capacity and a severely constrained transmission system limiting access to lower cost power, New Jersey consumers are paying additional costs, called capacity payments, to buy electricity on the regional wholesale market operated by the PJM (Pennsylvania-New Jersey-Maryland) Interconnection.

It is these capacity payments that have gotten under the skin of New Jersey officials and utility regulators. The state Board of Public Utilities (BPU) says New Jersey consumers are paying about \$1.4 billion annually in capacity payments, costs that could be avoided, officials say, if the state had more generating capacity. To spur new generation, Governor Chris Christie signed a bill into law last year authorizing the state to contract for up to 2,000 MW of new generating capacity. The law allows the state to enter into 15-year fixed-cost contracts with power generators, with a guaranteed return subsidized by ratepayers. Governor Christie and supporters of the measure say they believe electricity rates will go down in response to the introduction of more suppliers.

Critics say the New Jersey law undermines competitive wholesale markets by giving subsidized generators an unfair advantage. Shortly after the law took effect, the Federal Energy Regulatory Commission (FERC), at the behest of PJM, adopted a rule change that blocks New Jersey's efforts to build new power plants. FERC's decision states, "The commission has previously found, and we reiterate here, that uneconomic entry can provide unjust and unreasonable wholesale rates by artificially depressing capacity prices, and therefore the deterrence of uneconomic entry falls within our jurisdiction."

Despite this setback, state officials seem determined to move forward with plans to increase generation. Last December, staff for the BPU provided a list of recommendations to get around the roadblocks, including the creation of a State Power Authority—a government corporation that owns or purchases generation and sells the power to utilities or other customers.

As the BPU and state officials consider their options, the experience in New Jersey reminds us once again of the challenges involved when a competitive market system doesn't act like one. 💡



Bromley

Wind rules

Continued from page 1...

January, when State Senator Frank Lasee (R-De Pere) introduced Senate Bill 392, which would allow local municipalities to specify setback distances greater than those prescribed in PSC rules.

Current law prohibits any city, village, town, or county from creating conditions for wind-energy developments that are more restrictive than those specified by PSC rules. Lasee's new bill would create an exception, applicable only to setback distances.

It would also undo the PSC's existing abil-

ity to bypass local governments where larger wind projects with a rated capacity of 100 megawatts or more are concerned. It prohibits the PSC from issuing a certificate of public convenience and necessity for a wind project that does not comply with established setback requirements that are more restrictive than under PSC rules.

In any case, the PSC quotes statutory language in saying it is required to "consider whether installation or use of the facility is consistent with the standards specified in the rules promulgated by the commission" and at least temporarily in legislative limbo. 💡

PGE in hot water over safety diversions

Fifteen months after a pipeline explosion killed eight people and destroyed 38 homes in the San Francisco suburb of San Bruno, a staff report from the California Public Utilities Commission and an independent audit have concluded that Pacific Gas and Electric diverted more than \$100 million from gas safety and operations and used it for other purposes, including shareholder dividends and executive bonuses.

As reported by the *San Francisco Chronicle*, the money, collected from ratepayers, was

shifted over a period of 15 years.

The audit by a Kansas consulting firm wasn't able to trace exactly how the diverted money was spent, but the commission staff report said that during the three years prior to the 2010 explosion, the company spent \$56 million annually on incentives for executives and non-employee directors. The staff found that "a significant portion, in the millions," was awarded to CEO Peter Darbee, who took the top job at PGE in 1999 as an outsider tasked with leading the company in the brave new

world of utility restructuring.

Darbee "retired" in 2011, "felled by inattention to the bread-and-butter basics of the utility business: providing safe and reliable service to customers," a *Wall Street Journal* reporter wrote last April.

The audit found that PGE saved more than 6 percent of the money designated for pipeline safety, replacement, and maintenance by cutting back projects, laying off workers, and using cheaper inspection techniques, the *Chronicle* reported. 💡

Ohio quakes highlight CCS challenges

Carbon capture and storage (CCS) has been on the short list of technologies to make coal-fired generation more environmentally friendly, but a Wisconsin geologist says earth tremors in Ohio illustrate problems to be overcome.

Those tremors—a series of mild earthquakes in an area said to have little history of seismic activity—have pointed a finger of suspicion at deep injection wells used for disposal of wastewater from hydraulic fracturing by the natural gas industry.

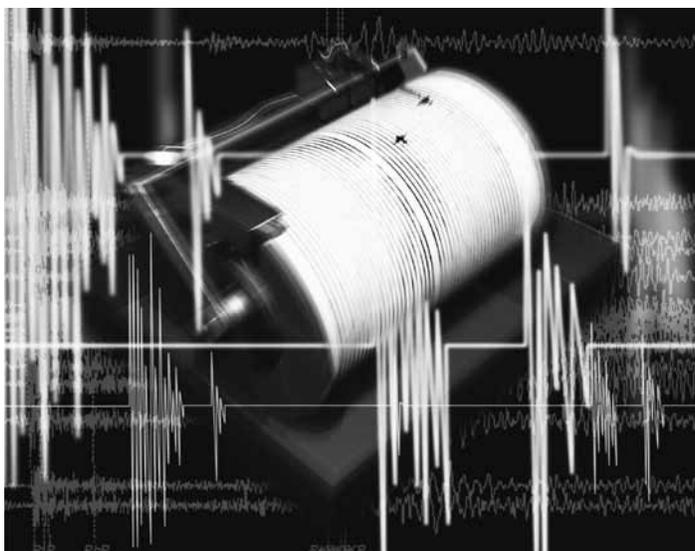
Over the past 12 months, the Youngstown, Ohio, area has experienced 11 minor earthquakes and an injection well in the vicinity is widely suspected of being the cause. State officials ordered the well's operations suspended after a quake measured at 2.7 on the Richter scale jiggled the community on Christmas Eve. One week later, a 4.0 quake rumbled under the town. No injuries were reported.

(On the Richter Scale, each whole number increment represents a quake 10 times stronger than the next lower whole number. The earthquake that struck eastern Japan last March registered 9.0.)

Deep injection wells have been used by the oil and gas industries in Ohio for decades. In January, state officials declared a morato-

rium on such operations in the vicinity of the Youngstown well pending the results of further investigation.

Whatever is found by analyzing the Ohio



tremors, the episode prompts questions about how subterranean rock formations might be affected when carbon dioxide sequestered from power plant emissions and compressed to a liquid state is pumped a mile or more beneath the Earth's surface for permanent storage.

Both CCS and disposal of drilling brine wastes involve forcing liquids into the Earth under pressure, but the two substances won't necessarily behave in identical ways.

University of Wisconsin Extension Geologist David Hart told *The Wire* the storage properties of CO₂ "may be even a little more tricky than the brines" being used in Ohio.

Liquid carbon dioxide would be more chemically reactive. If a geological fault is "locked up because of mineral precipitation," Hart said, the CO₂ might dissolve some of the minerals holding things together and allow the fault to move.

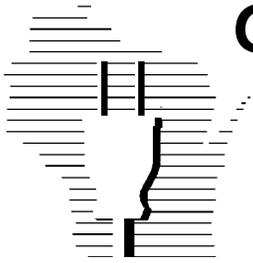
The opposite—a fault that isn't locked in place but is caused to lock—is also a concern, he said. "If those rocks can just slide past each other there's no problem, but if they lock up and build pressure and then they snap...it's the snap that gets you."

Hart said liquefied CO₂ would be less dense than fracking brines and would "buoy up the cap rock that's sealing it in," potentially allowing movement.

"There needs to be a lot of research done," he said. "You need to understand the geochemistry and the stresses, the fracturing and faulting. You need to do some background before you start pushing things underground or you're going to end up with a situation where people are upset." 💡

Energy saver tip

Try timing your showers. You might be surprised to find how much time you spend at what could be a five-minute task. And, you might be pleasantly surprised by the potential savings of energy used in heating water. While you're at it, try draining a few gallons of water from the bottom of your water heater once or twice a year. You'll reduce mineral deposits and make the appliance operate more efficiently. 💡



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Be sure
to check out the
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website at



www.customersfirst.org



Quotable Quotes

"Our number-one priority is to make our system the safest in the nation."

—Pacific Gas and Electric President Chris Johns, reacting to independent reports that more than \$100 million intended for safety and operations went instead to bonuses and shareholders prior to a fatal 2010 pipeline explosion, quoted in the *San Francisco Chronicle*, January 13, 2012

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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