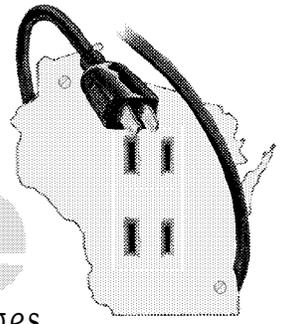


A Coalition
to preserve
Wisconsin's
Reliable and
Affordable
Electricity

Customers First!

the Wire

Plugging you in to electric industry changes



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Illinois aggregation: More marketing mischief

Ever since voters in hundreds of Illinois communities authorized municipal electric aggregation a couple of years ago, state regulators and consumer protection officials have had their hands full keeping up with complaints about shifty marketing activities. A recent *Chicago Tribune* story tells us it hasn't stopped.

In fact, the marketing abuses may be growing.

Early last month, Mount Prospect officials warned residents about aggregation scams commonly conducted by salespeople who obtain a customer's Commonwealth Edison account number and then switch them to a different provider without informing them of the change.

According to the *Tribune*, the state attorney general's office has been investigating and has found that the more communities adopt aggregation plans, the more complaints there are



about marketers gaming the system.

The aggregation concept, in which a municipality buys power in bulk on behalf of large numbers of participating residents—can be a boon for customers, provided they don't fall victim to marketers making false representations.

Mount Prospect last year negotiated a power-supply rate of 4.65 cents per kilowatt-hour that will remain in place for at least another year, according to the *Tribune*. But some crooked salespeople have told customers their current rate is expiring—to trick them into sign-

ing up with an alternative provider.

Some of the sales pitches being used are "completely false" and "intentionally misleading," according to village officials quoted in the *Tribune* story.

One good defense is to be aware that if someone calls seeking information about a utility account, it's highly unlikely they're in any way connected with the aggregation program. Local governments generally don't require information from anyone except residents who don't wish to participate in aggregation and need to notify the municipality that they're opting out. 💡

Better trust; can't verify

The nature of cybercrime makes it uniquely difficult to know whether proper and necessary steps for prevention and deterrence are being taken: If you say what you've done to confront the problem, your defenses are automatically compromised. So we can only hope utilities around the country are taking effective actions to forestall the kind of attacks cited in a recent Department of Homeland Security (DHS) memo saying hackers have gotten close to disabling industrial control systems by using tools and techniques "common and easy to

Continued on page 3...

Meanwhile...

Sic transit savings

Nobody doubted that municipal electric aggregation in Illinois would offer opportunities for customers to save some money—and neither did we doubt that under the program as designed, things could swing the opposite way as customers were increasingly exposed to market volatility. Now, Glenview residents are bracing for a 25 percent rate hike.

According to a mid-July report in the *Chicago Tribune*, the village's aggregation program saved residents more than \$2 million in less than half a year's operation. That translates into almost \$150—or \$30 monthly—per household.

But that was under a special, "first year" rate, and it wasn't for the entire year. June and July of 2012 weren't included, so two months of usually high usage and higher wholesale power prices weren't part of the original deal.

Now MC Squared, the alternative power supplier for a package agreement that includes Kenilworth, Northfield, and Wilmette along with Glenview, has raised the rate from the original 4.035 cents to 4.977 cents per kilowatt-hour, the *Tribune* reports.

The new, higher rate will remain in place at least until next June. 💡

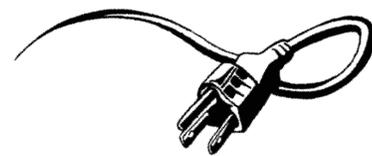
THE WIRE is a monthly publication of the *Customers First!* Coalition—a broad-based alliance of local governments, small businesses and farmers, environmental groups, labor and consumer groups, retirees and low-income families, municipal electric utilities, rural electric cooperatives, wholesale suppliers,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



Nearly six months after his inaugural address in which he identified climate change as a top priority for his second term, President Obama outlined his plan to address the issue in a speech at Georgetown University on June 25. For the most part, the President's plan sidesteps Congress—a body seen as an obstacle to climate-change initiatives—and instead relies on federal agencies to develop rules and regulations to cut carbon dioxide emissions, promote renewable energy on federal land, develop clean energy technologies, and establish new energy efficiency standards. "This is a challenge that does not pause for partisan gridlock," the President said, "It demands our attention now."



Bromley

The major thrust of the President's Climate Action Plan calls on the Environmental Protection Agency (EPA) to develop and issue standards to reduce carbon dioxide emissions for new and existing power plants. Back in March 2012, the EPA released for public comment proposed emission standards for new power plants. The president, as detailed in a memorandum to the EPA, wants the agency to now issue a new proposal by September 20, 2013, "(I)n light of the information conveyed in more than two million comments" on the initial proposal and "ongoing developments in the industry." No specific deadline was given for when a final rule for new power plants must be issued.

The president put forth a more extended timeline for promulgating rules to limit carbon dioxide emissions from existing power plants, and it's not clear what form those rules will take. In his memo, the president directs the EPA to "issue proposed standards, regulations, or guidelines, as appropriate" no later than June 1, 2014, with final rules by June 1, 2015. In addition, states are required to submit to the EPA their implementation plans and regulations no later than June 30, 2016.

Many questions remain on what the new rules will encompass, how they will be implemented and enforced, and the implications for electricity providers and consumers. Coal-fired plants will be the most affected by new carbon dioxide emission rules, and without commercially viable technology to capture the gas, strict regulations could shut down some of the plants. A lot is at stake for states and regions heavily dependent on coal for power generation, which means we may, at some point, see these rules end up in a federal court.

You can read the president's Climate Action Plan and Memorandum on Power Sector Carbon Pollution Standards at: <http://www.whitehouse.gov/>. 

Texas playing catch-up

State and federal regulators have gone back and forth over Texas having sufficient generation for a hot summer's peak-electricity demand, but there's a more enduring problem of capacity keeping pace with demand growth.

For a second consecutive year, reserve margins are below targets set by the Electric Reliability Council of Texas (ERCOT), which oversees the grid serving about 85 percent of the state's demand. In a severe heat wave, demand-response measures up to and including rolling blackouts could kick in.

The proximate cause is increased oil and gas drilling boosting electricity demand, com-

bined with almost two gigawatts of generation retired or mothballed since 2010.

But buried in the details of Texas' restructured power market is a rule that generators get paid only for delivering power—not for providing reserve capacity. Nobody wants to risk building generation that might run only occasionally, unless power prices go very, very high.

State regulators let ERCOT's price cap rise to \$5,000 per megawatt-hour as of June 1, climbing to \$9,000 in 2015, hoping power producers will build. A less expensive remedy might be to let generators get paid for maintaining a reserve—as is the case everywhere else in the country. 



Cybercrime

Continued from page 1...

obtain in the public domain.”

The quote comes from a July 15 *Houston Chronicle* report on the content of the memo, which the *Chronicle* said was undated but which followed up on a May 9 memo urging CEOs in the electric and nuclear sectors to take action in response to a “rush” of online attacks.

In the case of at least one unidentified utility, attackers obtained all the information necessary to reach industrial control systems, according to the DHS memo as reported by the *Chronicle*.

Those systems manage many automated functions and hackers causing them to malfunction could do extensive damage. The *Chronicle* story cited a 2010 online attack against industrial control systems that succeeded in destroying centrifuges at an Iranian nuclear facility.

The memo said this spring hackers “successfully” attacked “several U.S. energy and critical manufacturing sector targets over a period of weeks,” adding that the attack “indicates a sophisticated knowledge of electricity infrastructure and cascading impacts that requires increased vigilance nationwide.”💡

Energy saver tip

It’s curtains for you! That is, if summer sunshine is beating on uncovered windows and coming straight into your house, it’s going to get hot in there and even good, well-maintained air conditioning equipment will struggle to keep up. Closing curtains over windows exposed to the sun will take loads of stress off your A-C system and your cooling budget.💡

PGE: The fallout continues

One thing we’ve learned over the past 15 years is that watching a California utility scandal unfold is not unlike driving the length of the Golden State—in this respect at least: It’s going to take a while. The long-running saga of Pacific Gas and Electric’s (PGE) pipeline malfeasance and much-debated punishment has now triggered further staff shakeups at the Public Utilities Commission (PUC).

At the end of June, the PUC’s general counsel—a former PGE attorney who earlier reassigned the PUC lawyers working on the pipeline case—recused himself as chief advisory attorney in the matter and was replaced with a retired PUC attorney.

One of the reassigned attorneys stepped back into the role of leading the team working on the PGE case.

The *San Jose Mercury News* quoted

Thomas Long, legal director of The Utility Reform Network (TURN), saying, “This is extraordinary. In 25 years, I have never seen this kind of erratic behavior from a division of the PUC.”

The *Mercury News* also quoted State Senator Jerry Hill (D–San Bruno) saying the PUC is busier “cleaning up its own messes” than regulating utilities and as a result is “losing more public confidence by the day.”

Hill represents the community where the whole mess began, with the 2010 explosion of a defective natural gas pipeline that killed eight people and destroyed almost 40 homes.

The latest staff shakeup stems directly from the reassignments earlier this spring, when PUC attorneys working on the case went public with their criticism of the \$2.25 billion penalty recommended against PGE. Some agency staff felt the punishment should be more severe.💡

It pays to advertise?

An inconspicuous newspaper story some weeks back got us thinking maybe the failure of retail electric choice to sweep the nation (we remember friends calling it “inevitable” once upon a time) may involve something as simple as shopping for electricity not being most people’s idea of a good time.

Or maybe there’s some other reason why they have to run ads in New Hampshire—where the option was available earlier than anywhere else—urging customers to shop around.

This past spring a coalition of business organizations, power providers, and environmental and consumer organizations rolled out a multi-media effort called EmpowerNH. Its purpose? To persuade electricity users that they could benefit themselves and the environment by quitting the incumbent utility, Public Service of New Hampshire (PSNH) and switching to an alternative power provider.

Now, we hold no brief for PSNH, and we don’t deny there’s been opportunity through a retail choice program for customers to reduce their bills or patronize a supplier more closely aligned with their environmental ethic. Our wariness is based on the known history of these benefits as transient things, coming and going with market fluctuations.

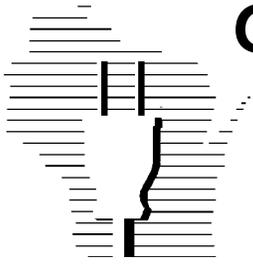
By coincidence, you can find current examples of the mixed blessings of retail choice in two stories on page 1 about Illinois.

For what it’s worth, a PSNH spokesman this spring told *Foster’s Daily Democrat*, A Dover, New Hampshire, newspaper, that the incumbent utility has saved its customers more than \$700 million over the past decade compared with prices set by its competitors and that more than 20 percent of the PSNH portfolio is in renewable energy sources.

Moreover, customers who dislike the fact that PSNH still relies on coal-fired generation when that’s the least expensive choice may well decide to buy elsewhere, but there’s no guarantee that they won’t be associating themselves with an even bigger utility—for instance, Consolidated Edison or Constellation Energy—through non-utility holding company affiliates selling power in New Hampshire.

Our bottom line is that the traditional, vertically integrated, regulated-utility model has amply demonstrated that it still delivers energy more reliably, with far less price volatility, and in compliance with whatever environmental regulations are on the books.

Not to mention that in states like Wisconsin that have kept the traditional utility model, you can be sure your energy provider will still be there tomorrow.💡



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Be sure
to check out
the *Customers First!*
website at

www.customersfirst.org



Quotable Quotes

"It has become more confusing to be an electric consumer in Illinois and consumers need to be on guard...Consumers have to be aware of possible rip-offs out there."

—Illinois Citizens Utility Board spokesman Jim Chilsen, commenting on the proliferation of marketing scams since municipal aggregation took effect, quoted in the *Chicago Tribune*, July 9, 2013.

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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