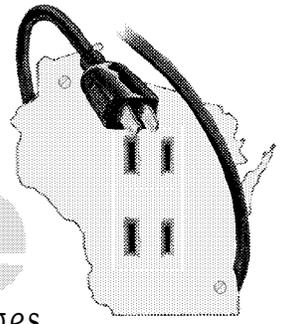


A Coalition  
to preserve  
Wisconsin's  
Reliable and  
Affordable  
Electricity

# Customers First!

## the Wire

Plugging you in to electric industry changes



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## Weighing in on San Jose

It wasn't garden-variety vandalism, but was it the act of disgruntled employees or a full-blown terrorist attack? Whoever shot up a Silicon Valley substation last spring, utility, law enforcement, and national security officials are trying to figure out how to keep it from happening again, and how to cope if it does.

Like cybersecurity issues, the physical security challenges faced by electric utilities are especially difficult to report on because officials who would like to be able to reassure people that appropriate measures are being taken can't risk disclosing much about what they're doing: Information that makes the rest of us feel safer might help bad people plan a successful attack.

That difficulty may be reflected in part by the fact that the Silicon Valley incident occurred in April 2013 but wasn't widely reported until this February. The rest of the world didn't find out about it in the intervening 10 months because no big power outage resulted from the destruction of 17 transformers at a Pacific Gas and Electric substation outside San Jose. Power was rerouted to bypass the disabled facility, local generators stepped up their output, and a black-out was averted.

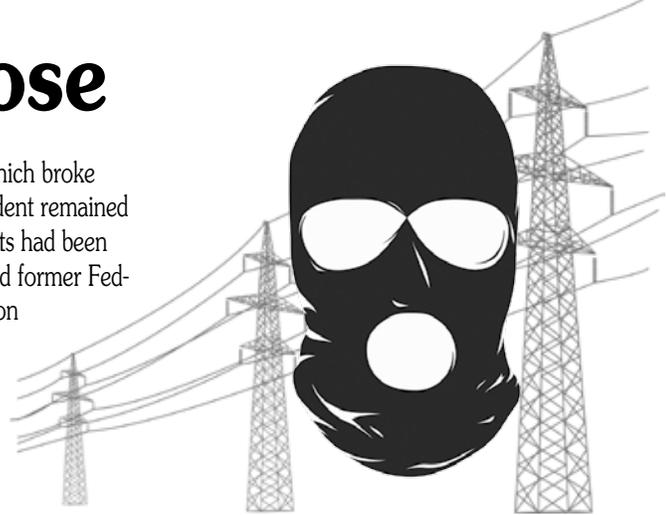
What is known is that unidentified persons cut telecommunications cables at about midnight last April 16 and shortly afterward someone unleashed a barrage of AK-47 fire into a nearby substation, causing more than 50,000 gallons of coolant oil to leak from transformers, whereupon they overheated and ceased functioning.

What isn't known—or hasn't been disclosed—is whether this was the work of unusually sophisticated vandals, disgruntled employees of a utility or the area's high-tech companies, a flat-out terrorist attack, or something even bigger, like a dress rehearsal for wider, coordinated attacks aimed at taking down extensive areas of the power grid.

*The Wall Street Journal*, which broke the story, said last month the incident remained under investigation and no suspects had been identified. The *Journal* also quoted former Federal Energy Regulatory Commission (FERC) Chairman Jon Wellinghoff calling the attack "the most significant incident of domestic terrorism involving the grid that has ever occurred."

*The Wire* asked around and found that cyber attacks present "far and away the greatest threat to local electric infrastructure," in the words of one utility official. This has to do with the interconnectedness of the system and the fact that malicious hackers or agents of a hostile organization or government can probe for ways to interfere with system controls without exposing themselves to physical danger.

This has resulted in broad, coordinated efforts by utilities and regulatory entities to stay ahead of threats that change along with the



telecommunications and computer network that supports the power grid.

Where physical attacks are concerned, utility officials point out that facilities where an attack could potentially cause widespread or prolonged loss of service are comparatively few in relation to the number of installations across the vast, sprawling grid. Among other things, that makes them easier to watch.

It seems clear enough that people are watching. We just hope they're mostly the good guys. 💡

## Cramping capacity

Among other things strained by the harsh winter, count electric generation capacity.

Power prices have spiked in parts of the country as a result of heightened natural gas demand, so much so that the Pennsylvania-New Jersey-Maryland (PJM) regional wholesale market is seeking to have the thousand-dollar per megawatt-hour pricing cap lifted.

Near the end of January, PJM asked federal regulators for permission to exceed the price cap on power furnished by gas-fired plants, lest some of those power producers be hit with "untenable" financial losses, as reported by *Energy Wire*.

Skyrocketing demand for natural gas as home heating fuel drove production costs for some power generators to more than \$1,200 per megawatt-hour, and PJM petitioned the Federal Energy Regulatory Commission saying, "Generators cannot lawfully be required to buy fuel at a cost of many millions of dollars for the purpose of generating power and selling it at a loss," *Energy Wire* reported.

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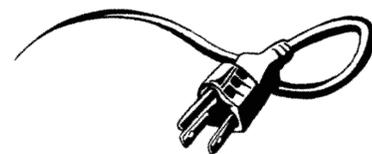
THE WIRE is a monthly publication of the *Customers First!* Coalition—a broad-based alliance of local governments, small businesses and farmers, environmental groups, labor and consumer groups, retirees and low-income families, municipal electric utilities, rural electric cooperatives, wholesale suppliers, 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 few months back this column shared concerns that Wisconsin electricity customers may have to foot a big chunk of the bill to keep a power plant operating in Michigan's Upper Peninsula. At that time we didn't know how high the cost would be. Now we know, and it's not good news.

On January 31, the Midcontinent Independent System Operator (MISO) filed a System Support Resource (SSR) request with the Federal Energy Regulatory Commission (FERC) to authorize \$52 million, plus fuel costs, to keep the 5 unit Presque Isle Power Plant in Marquette, Mich., operating for one year. MISO seeks an SSR designation for a power plant when the plant is deemed too important to the grid's reliability to close down. We Energies owns the plant, but asked to mothball it when the utility's biggest customers — including two huge Michigan iron ore mines — chose to purchase power from an alternative supplier. Michigan's deregulated electric choice law generally allows a limited number of customers to choose a different supplier than their incumbent utility.

MISO said We Energies must keep the plant running to keep power flowing in the U.P., including to the same retail customers who "on paper" left We Energies. The grid operator also said operating costs should be divvied up among utilities in the transmission footprint of the American Transmission Company (ATC) where the plant is located. Wisconsin utilities make up about 90 percent of the ATC footprint and under the allocation formula will be required to pay most of the SSR costs.

The situation is unfair on many levels. Wisconsin customers neither caused the need for, nor will receive the benefits of, the SSR. The retail customers (i.e. the mines) that left We Energies will still physically receive their energy from Presque Isle, but their cost will be subsidized by Wisconsin ratepayers. And, without a permanent solution to the U.P.'s reliability problems in sight, it's likely that the one-year SSR will be extended.

The Customers First! Coalition submitted comments to FERC objecting to the SSR as proposed. We asked that FERC reject the proposed rate schedule and direct MISO to come up with something more fair and equitable. Other Wisconsin ratepayer groups, energy providers, and the Public Service Commission of Wisconsin have weighed-in too. Hopefully, our collective voice will persuade federal regulators that Wisconsin customers deserve something better. 💡



Bromley

## Cramping capacity

Continued from page 1...

The crisis was considered temporary, but the generators most severely affected would be the ones relied on to ensure adequate power supplies at peak demand periods.

Meanwhile the regional wholesale market for New England (New England Independent System Operator, or ISO,) said power prices are "exploding," largely because of numerous power plant retirements scheduled over the coming three years.

Because of the retirements, according to the ISO (as reported by *Forbes* the first week in February), an annual capacity auction for generators to meet future power needs resulted in

a deficit of 155 megawatts for 2017 and 2018, compared with significant surpluses in annual auctions conducted over the previous seven years.

About 10 percent of the region's power plants are set to retire, contributing to a rapid change from surplus capacity and relatively low prices to capacity shortages and high prices, the ISO said.

*Forbes* quoted Gordon van Welie, the organization's CEO, saying the crunch is "a clear signal to the marketplace that the region needs more power generation and demand reduction capacity." 💡

## First things first

The bitter winter's stress on natural gas transmission and some electric generation systems may not have been quite enough to suit our friends at Exelon: Gas has become a serious competitor with nuclear generation, and the Chicago-based owner of the nation's largest nuclear fleet is talking about closing nukes in the interest of its profit margins.

Early last month, the *Chicago Tribune* reported that Exelon is fighting rivals on two fronts: "continu[ing] to lobby for energy policies that would end the subsidization of renewables and help drive more closures of coal-fired power plants," to protect its nukes against becoming net money-losers.

Exelon's profits climbed 31 percent in the fourth quarter of last year, but the company says it's being "pummeled" by lower, natural gas-driven power prices and attributes the increased profits to higher capacity prices for locking in future power supplies, according to the *Tribune*.

Six of the company's 10 nuclear plants are in Illinois, and two of those, Clinton and Quad Cities, have been mentioned as candidates for retirement if prices don't rise on the broader wholesale electricity market. 💡

## If at first you don't succeed...

Sometimes even to us, electric restructuring seems like a last-century concern for Wisconsin customers, but every so often someone floats another trial balloon. Last month, CFC's Matt Bromley spelled out the need to stay on guard at a gathering of electric cooperative leaders.

Meeting in Madison for a legislative conference, co-op directors and management personnel heard Bromley describe recent efforts to revive enthusiasm for restructuring in several states—including Wisconsin, where energetic preparations to restructure electricity markets fell by the wayside in the late 1990s amid system reliability and power supply concerns, along with the instructional value of California's calamitous retail choice experiment.

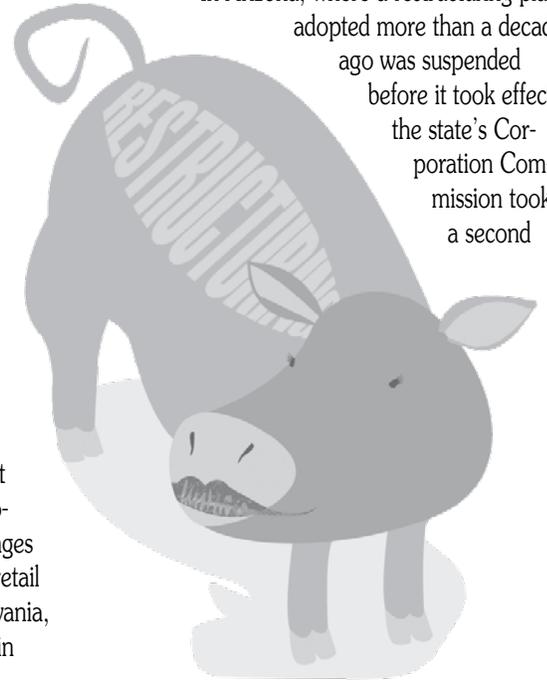
The past couple of years have brought fresh talk about restructuring plans in Arizona, Indiana, and Michigan, and policy changes are under consideration in the established retail choice states of Illinois, Ohio, and Pennsylvania, with the goal of involving more customers in their programs, Bromley said.

Michigan, he said, has been the scene of lobbying for several years to lift a statutory cap limiting retail competition to 10 percent of any utility's total load, and Wisconsin has heard rumblings from The Compete Coalition, made up primarily of energy marketers and high-volume power users who would be prime candidates

for attractive deals if marketers were allowed to cherry-pick the most desirable customers.

"Well-heeled interest groups are putting lipstick on the pig, but it's still a pig," Bromley said.

In Arizona, where a restructuring plan adopted more than a decade ago was suspended before it took effect, the state's Corporation Commission took a second



look last year. After a few months examining the issue—largely at the behest of Arizonans for Electric Choice and Competition, a group whose biggest affiliates were out-of-state energy marketers—the commission concluded the changes under consideration were probably unconstitutional and dropped the project.

In Wisconsin, Bromley noted, not much has been heard since Compete Coalition comments filed with the Public Service Commission in 2012 failed to generate much excitement. 💡

## Ooh, that smarts!

Some customers of Exelon Corp.'s Chicago affiliate Commonwealth Edison don't want smart meters installed at their homes. The Illinois Commerce Commission (ICC) acknowledged last month that those customers are free to make that choice, which is not the same as saying the commission is in any way sympathetic.

In a February 5 order, the ICC directed that ComEd will charge customers who refuse smart-meter installation an extra \$21.53 per month.

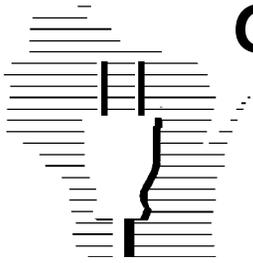
The smart meters send information about customer usage back to the utility electronically, meaning ComEd doesn't have to spend money sending people to read meters. The ICC concluded the additional fee was appropriate, given the extra cost of employing meter readers.

ComEd argued that the charge should be higher, according to the *Chicago Tribune*.

Under a 2011 law, ComEd is required to install smart meters for all of its customers by 2022. According to the *Tribune*, the ICC order said if customers decline to accept a smart meter now "and incur monthly charges associated with this choice, it should be with full knowledge that this refusal is simply delaying the inevitable." 💡

## Energy saver tip

The bitter cold of January and February delivered a one-two punch as natural gas and propane demand spiked, driving up electric generation costs and tightening supplies of home heating fuel. To hedge your bets against a repeat next winter, it might be helpful to consult with your energy provider about a level payment program that would smooth out the spikes and make budgeting more predictable. 💡



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

**[www.customersfirst.org](http://www.customersfirst.org)**



## Quotable Quotes

*"The prices are much higher now than two weeks ago. Why? That is an interesting question. We're not in a position to speculate on that."*

—Craig Glazer, vice-president of the Pennsylvania-New Jersey-Maryland regional grid operator, commenting on power prices spiking while all generators were able to obtain adequate natural gas supplies, quoted in *Environment & Energy Daily*, January 24, 2014

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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