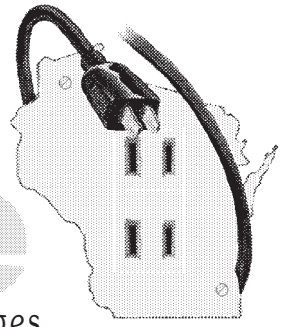


A Coalition  
to preserve  
Wisconsin's  
Reliable and  
Affordable  
Electricity

# Customers First! the Wire



Plugging you in to electric industry changes

608/286-0784 • P.O. Box 54 • Madison, WI 53701 • www.customersfirst.org • MAY 2009 • Vol. 14, No. 5

## Doing fine, thanks

# Transmission well-managed by state, experts tell CFC

Unanswered questions about who will pay, and the prospect that federal regulators could sideline Wisconsin officials in key transmission siting decisions, led the concerns aired in a discussion of transmission development at last month's *Customers First!* Coalition Spring POWER Breakfast.

The event brought together an expert panel whose members are among those closest

to the accelerating, multi-state discussions of a transmission-building boom expected over the next several years.

Eric Callisto, who chairs Wisconsin's Public Service Commission, left no doubt that cost-sharing and congressional interest in pushing state regulators out of the picture on siting decisions top his list of worries.

Hitting back at the main argument for a federal takeover of authority for siting the largest

transmission projects, Callisto said "it is simply not accurate" to say state regulators in the upper Midwest have stood in the way of building needed infrastructure.

"We have taken the necessary, very difficult steps" to build almost 2,300 miles of new lines, including 722 miles of extra-high-voltage 345-kilovolt lines, since 1990, he said.

On the other hand, aside from a few "snazzy PowerPoints," Callisto said, "nobody to this point has shown the kind of granular evidence" that would justify multiple proposals to build huge, new 765-kilovolt lines across Wisconsin.

The interest in big new transmission corridors is driven by utilities and other power providers looking to meet renewable energy mandates, relying primarily on wind, and as panelist Jesse Moser of the Midwest Independent System Operator (MISO) explained, "Where the wind is, in the middle of the country, there's not a lot of load."

There is a lot of wind, however, and a lot of interest in transferring the energy from production facilities in the Dakotas to consumers on the East Coast.

The MISO is a participant in the Joint Coordinated System Plan, reported here in March, that foresees an \$80 billion, 15,000-mile transmission build-out for the eastern U.S. to reach a target of 20 percent wind energy by 2024.

In that scenario, Moser said, the beneficiaries may be determined by public policy decisions rather than by the load flow or economic factors that currently form the basis for allocating the costs of new transmission facilities.

Flora Flygt of American Transmission Company (ATC) said her organization has spent \$2.5 billion building new lines since 2001, proving, "We can get this done in Wisconsin." The federal permitting process, Flygt said, can



As the *Customers First!* audience (top photo) listens, Wisconsin PSC Chair Eric Callisto makes a point at the organization's April POWER Breakfast in Madison. With Callisto are (from left) Laura McCarten, Xcel Energy; Flora Flygt, American Transmission Company; and Jesse Moser of the Midwest Independent System Operator. Moderator is Dan Ebert, Wisconsin Public Power Inc.

**Continued on page 3...**

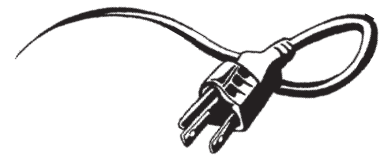
THE WIRE is a monthly publication of the *Customers First!* Coalition—a broad-based alliance of local governments, small businesses and farmers, environmental groups, labor and consumer groups, retirees and low-income families, municipal electric utilities, rural electric cooperatives, wholesale suppliers,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



Last month, the Wisconsin Legislature's Joint Committee on Finance began its review and modification of the governor's two-year state budget plan. In recent budget cycles, disagreements between divided houses of the Legislature and the executive branch led to protracted delays resulting in budgets enacted well past the June 30 deadline. Now, with the same party holding both a two-house legislative majority and the governor's office the job shouldn't take as long, but it still doesn't make the task of closing a funding gap expected to reach \$5.7 billion by mid-2011 any easier.

The Finance Committee's first order of business was to take out many of the policy-related provisions that have little or no impact on state finances. These provisions will be drafted and considered as separate legislation. One of the items removed includes a proposal to establish a new "immediate savings energy efficiency program." Modeled on an initiative promoted by the Center on Wisconsin Strategy and City of Milwaukee to improve the efficiency of the city's building stock, the program would allow utility customers to pay for the cost of energy efficiency improvements over time, using the energy savings on their utility bills that result from the improvement.

An item of interest to energy stakeholders that remains in the budget bill is a proposed transfer of the low-income assistance (public benefits) program from the Department of Administration to the Public Service Commission. If approved by the Legislature, funding and staff will transfer from DOA to the PSC to handle the utility bill payment and weatherization assistance programs for low-income customers starting in 2010.

The governor's budget also proposes to increase funding for the low-income weatherization program to \$75 million for FY 2009-10 and adjust that amount based on the cost of living in each of the following two years. Funding for the increase would come from the low-income assistance fee that's included on customer utility bills. Combined with the federal stimulus funding the state recently received, the total amount of money for weatherization could double to around \$140-\$150 million a year for 2009-10 and 2011-12.

Although the state budget is the most significant and comprehensive bill the Legislature considers during the biennium, it is expected that the majority of energy-related issues will be taken up by lawmakers later this year as part of an "energy" package that includes recommendations from the Governor's Task Force on Global Warming. 💡



Bromley

## Utility chief leaving state post

Madison Gas and Electric CEO Gary Wolter, who signed on temporarily to set up the state office coordinating the allocation of federal stimulus money, will vacate the position May 8, the Doyle administration has announced.



Wolter

The governor thanked Wolter for his volunteer work helping to launch the Office of Recovery and Reinvestment, which was created to ensure that federal funds aimed at putting the economy back on track will produce open, accountable results.

Wolter's successor as of May 11 will be Doyle's deputy policy director, Chris Patton.

The Office of Recovery and Reinvestment webpage, [www.recovery.wisconsin.gov](http://www.recovery.wisconsin.gov), has general information about funding opportunities and projects either planned or already underway. 💡

# Transmission

Continued from front page...

add one to two years to the time required to complete a project.

"We need one-stop shopping [for regulatory permits] with limited federal backstop authority," Flygt said.

Laura McCarten has been Xcel Energy's point person in a coordinated effort of 11 cooperative, municipal, and investor-owned utilities to prepare for transmission needs 16 years in the future. Most of the activity will occur in Minnesota. Some is proposed for Wisconsin. McCarten made it clear that the planners have had markedly different experiences working with state and federal regulators.

"We have had nothing but support and engagement and appropriate attention from our state regulatory agencies," she told the *Customers First!* gathering. "We have also found that working with federal agencies can be difficult,



Clockwise from top: Jesse Moser, Eric Callisto, Laura McCarten, Flora Flygt.

sort of balkanized. There is not the same centralization of who's in charge and what time frames apply, and it would be very beneficial if some of that was tightened up."💡

## No easy way...

In *The Wire's* 14 years of compiling the collective experience of states that restructured their electric utility industries, no case study—not even California's—more effectively drives home the lesson of misapplied market principles than Maryland's protracted struggle to return to what works.

The latest step on the long road back is an effort to recover the state's lost authority to compel construction of facilities needed to serve utility customers.

Make that "was."

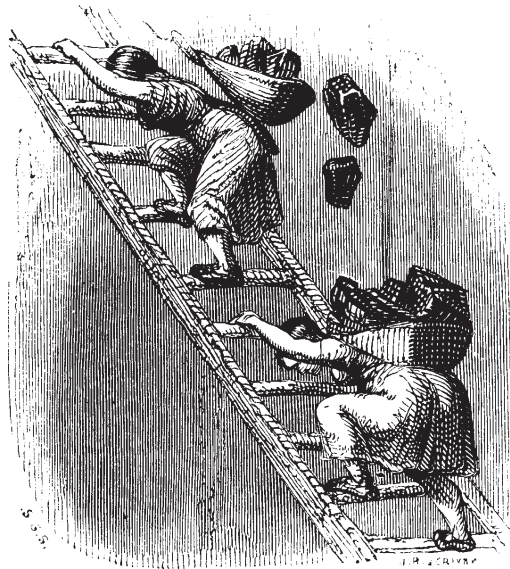
Introduced late in the session, Governor Martin O'Malley's bill empowering state regulators to order construction of new power plants didn't make it through the Maryland Legislature.

For years, officials have warned of looming power shortages in Maryland if more generation isn't built, but in April the *Baltimore Sun* editorialized that anger over high energy bills "appeared to overwhelm any reasonable conversation about how electricity should be regulated in the future."

Like other states that restructured, Maryland put generation outside regulatory oversight and forced utilities to offload generation assets. Now, with no one stepping up to build, shortages are said to be potentially less than two years away.

The *Sun* wrote that the failure of O'Malley's proposal "reflects the challenge of getting lawmakers to seriously address a topic that is both substantively complex and fraught with high-voltage politics."

Not unlike restructuring itself, weary electricity customers might add.💡



## Energy saver tip

If you've been thinking about a new roof or a fresh coat of paint for your house, it's a good time of year to start getting those things done. And while you're at it, think light. Light colors are more reflective. Light colors on the exterior walls and roof can help reduce your cooling bills by saving energy.💡

## Deferred maintenance?

A California utility that was at the center of the firestorm over that state's electric restructuring fiasco early this decade is now confronting a problem with fire of a less figurative kind.

San Diego Gas and Electric (SDGE) says its systems have touched off 167 fires in less than six years, sparking new questions about the possible effects of restructuring on maintenance and other priorities.

The disclosure came in a report filed by SDGE with state regulators this spring.

Most of the fires were not of significant size. But when Santa Ana winds whip southern California during hot, dry weather, things can get quickly out of hand. Last fall state officials accused SDGE of failing to properly inspect and maintain power lines, helping trigger wildfires that killed two people, destroyed 1,300 homes, and scorched more than 200,000 acres.

The company disputed the findings.

Last September officials said too much equipment was hung on aging power poles, making them vulnerable to high winds and increasing the risk of energized lines coming in contact with dry vegetation.

The latest report from SDGE came as state regulators considered statewide rules on minimum spacing and maximum numbers of wires that could be strung on poles, to help prevent fires.

The utility has proposed a plan to shut off electricity in areas with high fire risk for as long as one or two days at a time, waiting for winds to abate. The Public Utilities Commission has been holding hearings on that plan this spring.💡



# Quotable Quotes

*“Deregulation has had a dramatic, adverse, painful effect on electricity markets. Rather than relying on the market forces that have failed to deliver for us, we’ll put those important decisions about securing our energy future into the hands of the Public Service Commission.”*

—Maryland Governor Martin O’Malley on legislation to partially restore traditional utility regulation, quoted in the American Public Power Association’s *Public Power Daily*, March 4, 2009

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



A Coalition  
to preserve  
Wisconsin’s  
Reliable  
and Affordable  
Electricity

P.O. Box 54  
Madison, WI 53701

## Customers First!



Be sure  
to check out the  
Customers First!  
web site at



**www.customersfirst.org**