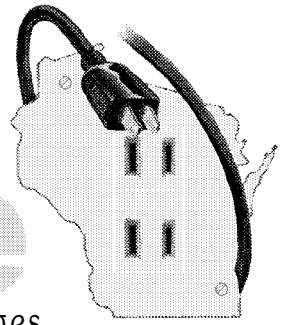


A Coalition  
to preserve  
Wisconsin's  
Reliable and  
Affordable  
Electricity

# Customers First! the Wire



Plugging you in to electric industry changes

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## Wind developer quits Wisconsin

A second Chicago-based wind energy developer has suspended all operations in Wisconsin, saying a more stable regulatory climate is needed.

Several weeks ago, following legislative suspension of statewide wind-siting rules, Invenegy announced cancellation of a major wind farm in Brown County, at the same time saying it would continue work on smaller, less capital-intensive projects.

Then, at the beginning of April, Midwest Wind Energy (MWE) said it was suspending all development activity in Wisconsin.

MWE has two projects installed and operating in the state, wind farms of 54-megawatts and 67 megawatts in Dodge and Fond du Lac Counties, respectively. The company has had no ongoing interest in those projects since they were brought on line and sold to Florida-based NextEra and Madison's Alliant Energy, William French of MWE told *The Wire* shortly after his company's announcement.

But MWE was also developing a 98-megawatt project in Calumet County and another that had not yet been publicly announced. Activity on both of those has been suspended, French said.

The next move is up to the state Legislature, which is considering a bill repealing the statewide siting rules and directing the Public Service Commission (PSC) to come back with a new rule package within six months. If the bill fails, the rules now under suspension (PSC 128) would automatically take effect.

French told *The Wire* his company "felt PSC 128 was really a fair compromise to let wind continue to develop while protecting the rights of people living near the wind farms."


In a statement issued last month, MWE President Stefan Noe said, "It no longer makes

sense to invest significant development capital in a state that appears to be closed to the wind energy business."

However, by directing the PSC to renew work on a rule package, the Legislature's Joint Committee for Review of Administrative Rules (JCRAR) went further than required under statute law. The statute

simply calls for a bare-bones legislative proposal prohibiting an administrative agency from further rulemaking without explicit legislative authorization on a subject for which a rule has been suspended.

The bill introduced by the JCRAR extends that authorization by directing the commission to try again.


French told *The Wire* his company would "encourage the legislators in Madison to come to some reasonable and quick decisions." 

## New PSC chair has CFC support

Former State Representative Phil Montgomery, recently appointed to chair the Public Service Commission, has garnered the endorsement of the *Customers First!* Coalition (CFC) for his required Senate confirmation.

A CFC letter April 12 to Senate Judiciary, Utilities, Commerce and Government Operations Chairman Rich Zipperer (R-Pewaukee) noted that coalition members "have worked closely with Chairperson Montgomery to enact important energy legislation while he served in the State Legislature."

"As a legislator, he recognized that a balanced approach to shaping energy policy that achieves consensus among Wisconsin's energy stakeholders often produced the most sensible solutions to our energy challenges," the CFC letter continued, expressing confidence that Montgomery "will apply the same approach at the PSC to ensure an appropriate balance of interests between customers and regulated utilities."

CFC and its member organizations worked with Montgomery during development of statewide wind-energy siting legislation and on the 2005 Act 141 renewable energy law. 



## Register now!

Online registration is available for the rescheduled, June 2 *Customers First!* POWER Breakfast in Madison.

For an opportunity to hear national industry expert Dr. Ken Rose speaking about challenges facing energy providers and customers, go to [www.customersfirst.org](http://www.customersfirst.org) to sign up for this free event.



Montgomery

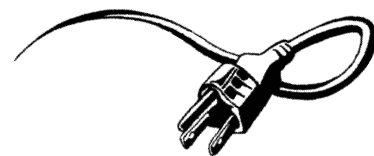
THE WIRE is a monthly publication of the *Customers First!* Coalition—a broad-based alliance of local governments, small businesses and farmers, environmental groups, labor and consumer groups, retirees and low-income families, municipal electric utilities, rural electric cooperatives, wholesale suppliers,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



Wisconsin state lawmakers may soon consider legislation to allow discounts on electric rates for large businesses to help spur economic growth. The *Customers First!* Coalition (CFC), though, is concerned that providing discounted rates to some customers could drive up electricity rates for others, like homeowners, farmers, and small-business owners. And, as many economists predict, job creation potential is greatest in the small-business sector. An initiative that could shift costs to small businesses could reduce economic growth opportunities in that vital sector.

Instead of a new law that may have unintended consequences, the CFC believes that current law provides the Public Service Commission (PSC) with ample authority to allow utilities to provide economic incentives to certain customers. The PSC recently granted a discounted economic development rate for qualifying large industrial and commercial customers of Wisconsin Power & Light. Regulators have also approved special contracts for electric service between several Wisconsin utilities and manufacturers in recent years. If the Legislature decides that additional tools are in fact necessary, CFC believes providing certain customers a discount on utility rates must not violate the long-standing and fundamental statutory requirements that rates be just and reasonable and not unjustly discriminatory. To adhere to these basic principles of fairness and to support economic growth across all sectors of the economy, special discounted economic development rates should be carefully and narrowly structured with the following criteria:

- Focused on recruiting new customers to the state or supporting significant expansions at existing customers.
- Do not harm customers not eligible for the rates or shareholders of the investor-owned utility.
- Cannot be used to attract a customer from one utility service territory in the state to another.
- Cannot be used by a customer to increase its load in one utility service territory in the state while decreasing load in another utility service territory in the state.
- In effect for a limited period of time.
- Allowed only for a customer who demonstrates by sworn affidavit from CEO/senior official that if not for the discounted rate the customer would be unable to establish or expand operations in the utility's service territory.
- Restricted to a customer that has received, or has a commitment to receive, state or local government assistance related to the expansion of load.
- Thoroughly evaluated to determine impact, including a system-wide cost/benefit analysis.
- Capped at a total amount of discount a utility can offer per year. 💡

## Staying on the inside

Attorneys for former Enron President Jeffrey Skilling said they'd fight on following last month's federal appellate court rejection of their arguments that he was wrongfully convicted under a flawed legal theory.

The Fifth Circuit Court of Appeals ruled that even if Justice Department prosecutors erred in pursuing Skilling under the controversial theory of "honest services" fraud, they were nevertheless able to convince the jury that he'd conspired to commit securities fraud and the error was therefore not consequential to the outcome.

The case was remanded to the Fifth Circuit

last year by the U.S. Supreme Court, which had ruled that the Justice Department improperly applied the honest services theory. Skilling's attorneys left the application of securities fraud theory unchallenged in their Supreme Court appeal.

Skilling was convicted on 19 counts in 2006 and is serving a 24-year sentence in federal prison. 💡



# ATC sees continent-wide business

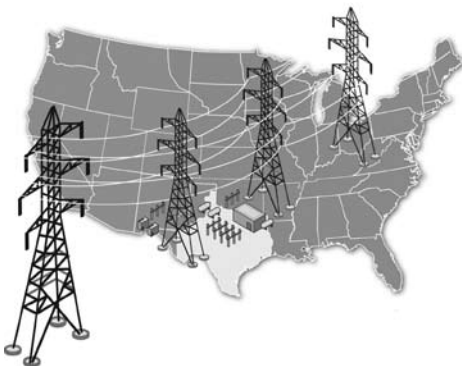
The independent transmission company created under 1999 reliability legislation to own and operate most of Wisconsin's grid is looking to expand operations all across North America in a partnership with the big North Carolina utility Duke Energy.

April brought a joint announcement from Duke and the Waukesha-based American Transmission Company (ATC), announcing creation of the Duke-American Transmission Co. (DATC) joint venture that plans to build, own, and operate new transmission infrastructure.

ATC is already a multi-state transmission-only utility. Formed in 2001, it owns and operates more than 9,400 miles of transmission lines and has invested some \$2.5 billion building new lines in Wisconsin, Michigan, Minnesota, and Illinois.

The companies cite a growing demand for "affordable, reliable transmission capacity in the United States and Canada."

They say they will evenly divide equity ownership of the new joint venture and will remain free to develop transmission projects independently. 💡



## Smart grid costs, benefits figured

Deployment of "smart grid" technology to modernize the U.S. electrical system could cost as much as \$476 billion, but the benefits of doing so could be valued as much as four times that amount, according to an analysis released in April by the Electric Power Research Institute (EPRI).

The assessment factors in a range of new technologies, applications, and consumer benefits, finding the cost of installing a fully functional smart grid could range from \$338 billion to \$476 billion but could yield benefits between \$1.3 trillion and \$2 trillion.

The estimate reflects new technologies related to the grid, information, and communication technologies; market structures; demands of an increasingly digital society; more widespread deployment of renewable power production and its integration into the grid; expansion and maintenance of existing infrastructure; and technologies and systems to address grid security, according to the EPRI announcement.

Smart-grid benefits are expected to include more reliable power delivery and quality, fewer and briefer outages; a grid that detects and responds to security and safety situations, reduced energy losses and better management of peak demand, and potential customer savings through access to energy information, especially regarding real-time individual usage.

The analysis updates a 2004 EPRI assessment that estimated the cost at \$165 billion, EPRI said. The new analysis assumes steady deployment of smart grid technologies beginning last year and continuing through 2030. 💡

## Two views of Texas troubles

A varied cast of officials has been trying to figure out how to avoid repeating system-wide failures that caused rolling blackouts across Texas during severe winter weather. One well-informed observer says restructured power markets aren't conducive to accountability. Another says the system didn't fail but did what it was supposed to do.

Storms and single-digit temperatures in early February brought all-time record peak winter electricity demand to Texas and also caused power plant equipment to freeze and break.

Investigators have been trying to determine whether power producers took advantage, falsely claiming equipment problems to drive prices higher. Prices did spike to their \$3,000 per megawatt-hour cap, roughly 60 times the typical seasonal wholesale rate.

Multiple factors have been identified but one singled out by *Houston Chronicle* business columnist Loren Steffy is the information blackout between entities with responsibility for keeping the lights on.

In February, Steffy noted that generators must file crisis plans with the Public Utilities Commission (PUC), which lacks staff to re-

view them and doesn't allow others to do so. At one point, Steffy says, the grid-operating Electric Reliability Council of Texas (ERCOT) filed an open records request to see the emergency plans.

Meanwhile, PUC rules intended to prevent market manipulation forbid identification of power plants off-line until 60 days after the fact. ERCOT asked generators to voluntarily disclose outages and over the weeks after the blackouts, the number of plants acknowledging they'd had outages climbed from "dozens" to 50, to more than 120.

But in April, the CEO of Texas' second-largest power producer, NRG Energy, said that rather than a disaster, the blackouts proved the system does what it's supposed to do.

David Crane told an industry conference the rolling blackouts prevented a total blackout.

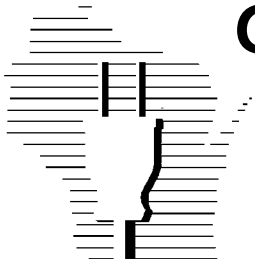
Extreme cold caused loss of pressure on natural gas pipelines, curtailing delivery to customers without firm contracts, and some of them were power plants, Crane said.

Making an electrical system totally impervious to such problems would double or triple power prices, Crane said. 💡



## Energy saver tip

For the next few months at least, you probably won't need to heat your house, so your furnace gets the summer off, but if you have central air conditioning the filter doesn't. Check that filter and consider changing it every couple of months for maximum efficiency. 💡



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Be sure  
to check out the  
Customers First!  
website at



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



## Quotable Quotes

*“Several state agencies administer different aspects of the deregulated market in a tangled array of jurisdictions and rules that resemble the nest of cords behind my computer table.”*

—Business columnist Loren Steffy analyzing obstacles to oversight of Texas electricity markets, in the *Houston Chronicle*,  
February 19, 2011

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

