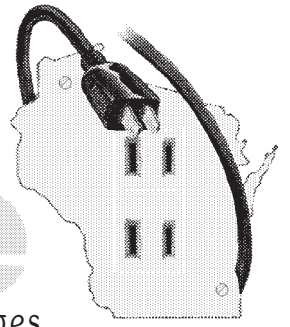


A Coalition
to preserve
Wisconsin's
Reliable and
Affordable
Electricity

Customers First!

the Wire

Plugging you in to electric industry changes



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Wisconsin wind legislation introduced

The construction or operation of wind energy systems could not be restricted by a county, city, village, or town unless the restriction is consistent with rules to be developed by the Public Service Commission, under legislation introduced last month in both houses of the Wisconsin Legislature.

The bills (SB 185 and AB 256), authored by Senator Jeff Plale (D-South Milwaukee) and Rep. Jim Soletski (D-Green Bay) and 29 other lawmakers, apply to wind energy systems with less than 100 megawatts capacity. The practical effect, however, is to bring all wind power systems under PSC rules, since the commission's Certificate of Public Convenience and Necessity (CPCN) authority already supersedes local enactments in the case of generation facilities with 100 megawatts or greater capacity.

The bill requires the commission to develop administrative rules setting common, statewide standards for regulation of construction and operation of wind energy systems. The PSC rules would specify what restrictions a local jurisdiction may impose. Such restrictions could apply to "visual appearance, setback distances, decommissioning, shadow flicker, electrical connections to the power grid, and interference with radio, telephone, or television signals," according to a Legislative Reference Bureau analysis.




Plale

Existing law already prohibits local governments from imposing restrictions on wind or solar energy systems except for reasons of public health or safety. A local ordinance also must not significantly increase a system's cost or decrease its efficiency, or it must allow for "an alternative comparable system."

By bringing new PSC rules into the picture, the legislation could mean closer regulatory oversight than currently exists for wind and solar systems in local jurisdictions that have enacted

no relevant ordinance. However, proponents of the bill say it's needed to bring a consistent and predictable regulatory framework, citing concerns that additional wind energy development could be thwarted by an emerging patchwork of different local restrictions.

A lengthy joint hearing was held in mid-May before the energy committees of the two houses, chaired by Rep. Soletski and Sen. Plale. (For more on the May 12 hearing, see Matt Bromley's column, inside.) 

More studies link restructuring, rate hikes

The trend has been emerging and pretty well identified for the past few years. Now, a pair of new studies affirms what's been observed in one state after another: Those that restructured their electric utilities have seen faster, higher rate increases than those that left well enough alone.

A significant gap in electricity prices between states that embraced the 1990s restructuring mania and those that didn't actually predates restructuring; for most states it was the chief motive to restructure in the first place on account of concerns that higher energy costs were a drag on their economies. That restructuring turned out to be the wrong answer is only incidental to the existence of a rate gap then, now, and in between.

But what's noteworthy is that both new studies observe that the rate gap has grown wider since restructuring.

One of the two, commissioned by the American Public Power Association (APPA), shows the gap between restructured and non-restructured states widening since 2004. It shows the national average of electricity rates rising steadily too—no one seems to be escaping the burden of higher energy costs nowadays—but restructured states are on an upward curve that's accelerating away from their counterparts that didn't jump on the bandwagon.

Titled "Retail Electric Rates in Deregulated and Regulated States: 2008 Update" and reported in the APPA's *Public Power Weekly* early in May, the study details a 3.4 cent per kilowatt-hour increase over the past five years in restructured states, compared with a 1.9 cent increase in states that didn't restructure.

Also shown is that between 1997 and 2003, while rates crept downward ever so slightly and then began climbing, the gap between the two types of states held fairly steady at about 3 cents per kilowatt-hour, but in the last half-dozen years it has opened up to almost a nickel.

In *Rudden's Energy Strategies Report* near the end of April, editor-in-chief Leonard S. Hyman

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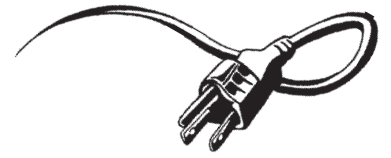
THE WIRE is a monthly publication of the *Customers First!* Coalition—a broad-based alliance of local governments, small businesses and farmers, environmental groups, labor and consumer groups, retirees and low-income families, municipal electric utilities, rural electric cooperatives, wholesale suppliers,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



Wind energy took center stage last month during an eight-hour joint public hearing by the Senate and Assembly Energy Committees of the Wisconsin State Legislature.

At issue were Senate Bill 185 and Assembly Bill 256, introduced by the chairmen of the two committees, Senator Jeff Plale (D-South Milwaukee) and Representative Jim Soletski (D-Green Bay). The identical “companion” bills require the Public Service Commission (PSC) to establish statewide, uniform siting standards for wind energy systems. The *Customers First!* Coalition joined dozens of business, labor, environmental, and customer organizations in support of the legislation.



Bromley

The legislation is not without opponents, who focused at the joint hearing mainly on the adverse health effects purportedly caused by wind turbines and the supposition that local town and county officials are better able to evaluate these potential risks than the PSC.

Yet, a look at the wide variability in local regulations intended to protect public health and safety raises serious doubts about whether local units of government are the best decision-making bodies for siting large generation facilities. How so? Ponder this question, based on the example of two local ordinances: Should we conclude that elected officials in a county that prohibits turbines within 1,500 feet of a residence are less concerned about the health and safety of their citizens than officials in another county who approved a half-mile setback? Obviously, a better process is needed to determine the appropriate regulation of wind energy systems—a process that is based on sound scientific evidence and applied uniformly statewide for the benefit and welfare of all citizens.

During the hearing opponents also claimed Wisconsin ratepayers would save billions of dollars in energy costs by relying on wind farms located out-of-state. It was asserted that the higher and more consistent wind speeds in western states result in more productive generation and are thus more cost-effective for the end user.

True, wind profiles in some western states are generally better than in Wisconsin, but more goes into the overall cost of wind energy than just the turbine's capacity factor (the percentage of the time that a generating unit can be counted on to provide the full amount of power it's designed to produce). Out-of-state wind farms require additional investments in expensive transmission systems to bring the power generated back to Wisconsin consumers. (And if you think wind-farm siting is hard work, try siting an extra-high voltage transmission line that spans two or three states.)

Also, as more states begin to implement renewable energy requirements, the demand for western wind will increase substantially, driving up costs. Contrary to the claims of a ratepayer windfall from cheap western wind, energy customer groups that support the legislation recognize that Wisconsin utilities need to have access to a diverse range of renewable resources, including both in-state and out-of-state wind, in order to provide reliable, efficient, and cost-effective energy. 💡

Restructuring, rate hikes

Continued from front page...

noted similar findings arrived at by a different methodology. Hyman plotted price trends for four separate years, 1992, 1996, 2001, and 2008. He found prices moving essentially in parallel from 1992–2001, with not just rates, but the *rate of increase* climbing in restructured states since 2001.

“You would think that a properly designed competitive market would cause market participants to look for ways to reduce costs (or create

new services to sell), and competition between market players would drive down prices, as the competitors fought to gain market share, or to retain customers, thereby passing on the cost savings to those deserving consumers,” Hyman wrote, explaining it hadn't worked out that way.

The APPA said averaging all rate categories through the end of 2008, non-restructured states averaged just over eight cents per kilowatt-hour while the national average was just below 10. The average among restructured states: 13 cents. 💡

Yucca lawyering may outlive project



A long-planned and still un-built national nuclear waste repository will be defunded before the end of the year, but that won't prevent hundreds of contentions from being argued in regulatory proceedings for a project that looks to be dead in the water.

The Atomic Safety and Licensing Board (ASLB) will entertain 299 separate contentions related to safety and environmental issues in reviewing the license application for the Yucca Mountain nuclear waste repository, even as the project languishes, defunded under an administration budget proposal that would take effect October 1.

The Obama administration budget for fiscal year 2010 proposes to eliminate all

funding for Yucca Mountain, specifically ruling out further expenditures to acquire land, develop transportation infrastructure for the Nevada site, or perform further engineering activities.

Construction halted early last year in response to deep congressional budget cuts, but the Department of Energy continued work on its application, filed last June, for a Nuclear Regulatory Commission license to develop and operate the facility.

An ASLB order issued in mid-May granted a hearing on the license application and recognized eight petitions to intervene in the proceedings. The intervenors include the states of California and Nevada, three Nevada counties individually and four acting jointly as one, a single California county, and the industry-funded Nuclear Energy Institute.

Last year, the federal government built a special courthouse near the Las Vegas airport specifically to hear litigation related to the project.

Only four petitions to intervene were denied and only 19 proposed contentions were ruled inadmissible, but the ASLB said many of the 299 contentions admitted were substantially identical and would probably be consolidated to move the process along.

Ironically, it appears that if the process does move along it will do so just as the project itself is finally being laid to rest. Its most enthusiastic supporters had been estimating Yucca Mountain might be operational by 2020. Creation of a national repository was mandated by a 1982 federal law that required the facility to be completed and accepting shipments of spent power plant fuel by the end of January 1998.💡

Energy saver tip

Dust your light bulbs. No kidding. Bulbs in places where dust can collect on their surfaces can lose as much as one-third of their lighting ability, wasting energy, straining your eyes and making you use more power than you might really need. We tried this. It works. *By the way, you'll like the idea a lot better if you make sure the bulbs are cool before performing the operation.*💡

Second thoughts in Illinois

The speaker of the Illinois House of Representatives is among the latest to go public with thoughts of backing away from the 1990s utility mayhem.

In April, Representative Michael Madigan (D-Chicago) asked the Illinois Power Agency to look into whether it might be helpful to let electric utilities own and operate power plants.

If that sounds like a less-than-revolutionary concept, you must live in a state (Wisconsin, for instance) that didn't restructure its energy utilities. Back in the '90s, "vertically integrated" utilities that owned their generation, transmission, and distribution systems were the norm, as was breaking them up for states that took the restructuring plunge.

The theory was that "functional segmentation," a term that must have set every bureaucrat's heart aflutter, would better serve customers by allowing—read: "mandating"—

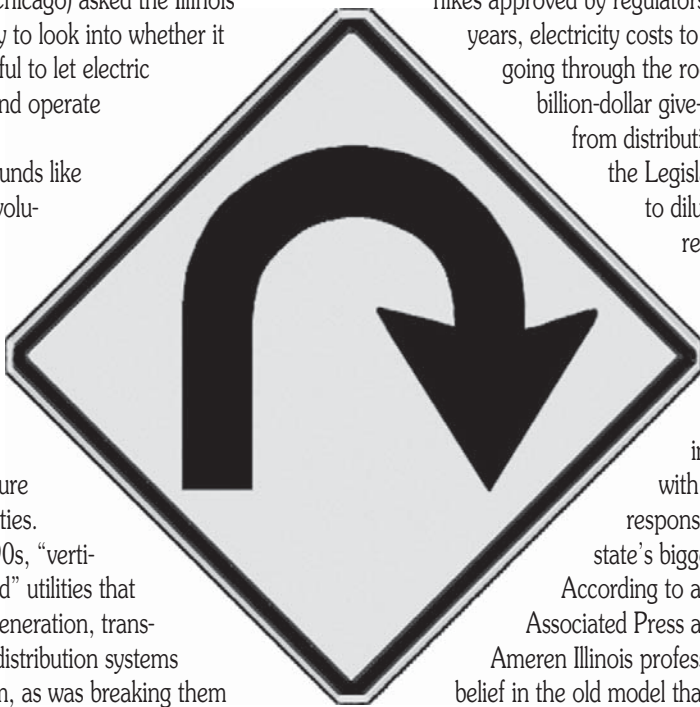
every phase of their energy service to be obtained from a different entity.

In the dozen years since Illinois enacted its restructuring law, the segmentation has proven dysfunctional, with multiple, whopping rate hikes approved by regulators in recent years, electricity costs to customers going through the roof, and a billion-dollar give-back extracted from distribution utilities by the Legislature in 2007 to dilute

restructuring's political toxicity. The idea of reviving vertical integration met with a mixed response from the state's biggest utilities.

According to a mid-April Associated Press account, Ameren Illinois professed long-term belief in the old model that was thrown over in restructuring.

Commonwealth Edison's parent Exelon Corp., however, appeared comfortable with the way things are, seeming to indicate a belief that what Illinois has right now is a competitive market.💡





Quotable Quotes

“The current system is working well.”

—Texas Public Utility Commission Chairman Barry Smitherman, responding to an AARP study saying greater transparency in the state’s wholesale electricity market could save the average household more than \$50 annually, as reported in the Forth Worth *Star-Telegram*, May 6, 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.

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