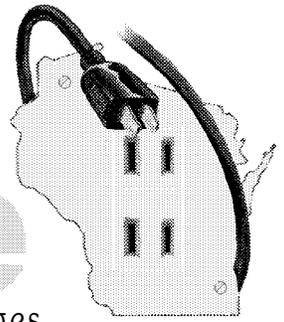


A Coalition
to preserve
Wisconsin's
Reliable and
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Electricity

Customers First!

the Wire



Plugging you in to electric industry changes

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Counting up the benefits

The Legislative Audit Bureau has completed a review of the weatherization and energy assistance programs funded through utility public benefits fees. It finds a need for close supervision but also that the intended results are being achieved.

Scrupulously nonpartisan and nationally respected, the bureau found that energy consumers are financing a bigger share and federal taxes a smaller one for the programs. Expenditures totaled more than \$217 million during the 2012–13 fiscal year, down from \$235 million in fiscal 2008–09. Of the total, \$111.7 million went directly to energy providers in fiscal 2012–13, through energy assistance payments offsetting low-income consumers' bills. Utility customer financing for the programs grew 12.4 percent over the five-year period while federal assistance shrank 22.5 percent.

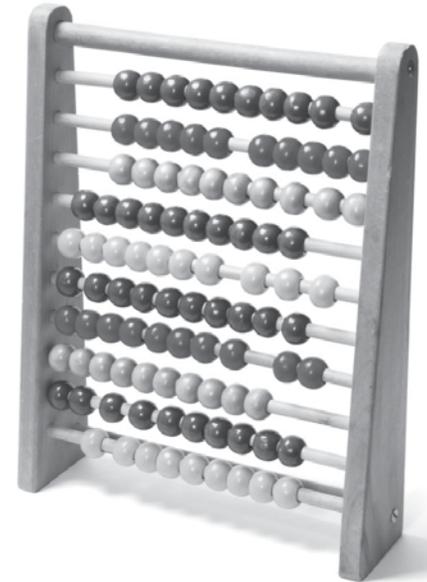
The audit report spotlighted apparent shaky performance by weatherization providers, detected by the state's Department of Administration (DOA) through inspections of dwelling

units where work has been performed.

The DOA administers both assistance programs, and the Audit Bureau reviewed 251 reports from 1,387 inspections performed between July 1, 2011, and June 30, 2013. Inspectors found at least one area of program noncompliance in more than 83 percent of the sampled inspections.

Noncompliance most commonly involved unsatisfactory or incomplete work, such as failure to insulate pipes or water heater tanks, the Audit Bureau said. In 37 cases, local weatherization agencies billed DOA for work not performed or materials not provided.

The good news is that when inspections reveal deficiencies, DOA "typically requires weatherization agencies to complete the work and provide evidence of its completion or return funds to DOA for the inappropriately billed amounts," the audit report said. Eight percent of dwelling units weatherized during the two-year period were inspected, exceeding the federal standard of inspecting 5 percent of projects.



Weatherization of nearly 7,500 households during fiscal 2012–13 yielded positive results: On average, homes that were weatherized reduced natural gas consumption 17 percent and electricity usage 11 percent, the audit report showed.

A far larger number, 215,000 households, received heating assistance during the same period. 💡

Renewable standard adds modest cost, study finds

That Wisconsin's requirement for utilities to provide 10 percent renewable energy would add some cost was not unexpected. What might be more surprising is that the additional cost appears to be relatively modest and may even be on track to decline.

According to a Public Service Commission (PSC) study released July 1, the rate impact of the Renewable Portfolio Standard (RPS), measured as the share of revenues to utilities resulting from their acquisition of renewable energy for resale, came to 2.5 percent of the total retail revenue collected during 2011 and 2012.

That percentage translates into additional consumer costs of about \$340 million to purchase renewable power over the two-year period. It's also a significant increase over the 1 percent rate impact identified in a 2012 PSC report covering the three-year 2008–2010 period.

Fortunately, the upward trajectory of rate impacts is not expected to continue. The rise in recent years compared with earlier ones is presumably a function of utilities ramping up acquisition of renewable resources to meet their mandated RPS of 10 percent of all retail sales by 2015. The report notes that PSC-approved

investments in renewable facilities climbed from about \$1.7 billion through 2010 to just about \$2 billion today.

But the RPS was met in 2013—two years ahead of schedule—and the PSC report surmises a rise in 2013 due to acquisition of new renewable resources, followed by a flattening trend in the years to come.

The full report can be viewed by going to the PSC web site (www.psc.wi.gov) and typing docket number 5-GF-245 into the search boxes of the commission's electronic regulatory filing system. 💡

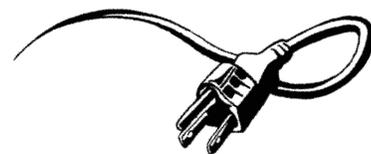
THE WIRE is a monthly publication of the *Customers First!* Coalition—a broad-based alliance of local governments, small businesses and farmers, environmental groups, labor and consumer groups, retirees and low-income families, municipal electric utilities, rural electric cooperatives, wholesale suppliers,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



Earlier this summer, Wisconsin Energy Corp. (WEC) announced plans to acquire Integrys Energy Group, the parent company of Wisconsin Public Service (WPS), in a \$9.1 billion deal that would put the Milwaukee-based holding company in control of seven regulated electric and gas utilities across Wisconsin, Illinois, Michigan, and Minnesota. Wisconsin Energy will nearly double its number of customers served, mostly through the addition of Integrys' Peoples Gas, which serves 800,000 customers in Chicago, and WPS, which serves more than 400,000 electric and 300,000 gas customers in north-east Wisconsin.

Although Integrys will become part of WEC, the seven individual utilities will remain separate operating companies, at least according to documents WEC filed with the Securities and Exchange Commission when the deal was announced. The company said that it does not plan to merge the utilities because they "operate in four different states, with different rate structures and different regulatory processes. Merging them into one or two utilities would be expensive and time consuming." In press reports, the chairman and CEO of WEC, Gale Klappa, said that he expects the separate utilities to continue to independently set rates.

WEC also said in its SEC filing that except for a few senior leadership positions, no workers would lose their jobs at this time, but over time, as efficiencies are gained from the combination, the company would re-evaluate structure and staffing levels.

Despite assurances that the proposed acquisition will have little impact on ratepayers or employees, regulators must examine the transaction carefully and thoroughly to ensure that it is in the public interest and benefits ratepayers, as well as shareholders, before approving the acquisition. After all, utility customers contributed to the economic well-being of both WEC and Integrys and therefore should realize benefits from the proposed acquisition.

In a statement announcing the proposed acquisition, Mr. Klappa, said, "The operational and financial benefits to all of our stakeholders—from the customers and communities we serve, to the people we employ, to the shareholders who count on us to create value—are clear, achievable and compelling."

We look forward to a thorough evaluation of the proposed acquisition—one that isn't rushed, but is open, deliberate, and seeks out the views and opinions of all affected stakeholders. Only then will we truly know if Mr. Klappa is right. 💡



Bromley

CO₂ rule expected to drive further gas shift

Pending Environmental Protection Agency regulations affecting fossil-fueled power plants are expected to add momentum to the ongoing shift from coal to natural gas as electric generation fuel. A major international financial consultancy now says the growth of consumption by 2020 is likely to be equivalent to a substantial share of last year's total gas usage for generation.

The shift is expected to grow over the next half-dozen years, but stabilize as demand declines in the years after 2020. That's according to an analysis by Virginia-based SNL Financial, based on projected figures from the agency (EPA) and the U.S. Energy Information Administration (EIA).

By 2020, SNL said, the EPA expects up

to 1.2 trillion cubic feet of additional natural gas consumption for power generation. EIA statistics show usage of 8.15 trillion cubic feet for electric generation in 2013, so the anticipated increase would be slightly less than 15 percent of last year's total usage. 💡

Energy saver tip

Now's the time. Chilly fall temperatures should still be several weeks away, and you can make good use of that time by checking and repairing worn-out weather stripping, caulking, or other defects that could soon be letting cold air inside and running up the heating bills that are sure to come. 💡

Elections: New faces in Legislature guaranteed

As you read this, Wisconsin's primary elections are only a few days away, but regardless of how the votes fall August 12, the November elections will bring many changes to the Wisconsin Legislature, with a large number of incumbents bowing out.

When lawmakers convene next January for the 2015–16 session, who is seated on the Senate and Assembly floors will be determined by elections conducted with more State Senate seats open than at any time in the past half century and more Assembly members retiring than in any election of the past two decades.

When the deadline passed this summer for filing nomination papers, it was set in stone that seven of the 17 senators whose seats are up for election this year would not seek another term. In the Assembly, where all

members face the voters every two years, 22 of the 99 state representatives are bowing out.

For those planning to continue in the Assembly, the odds aren't too intimidating: 40 (23 Republicans and 17 Democrats) are running with no major party opponent.

In western and northern Wisconsin, noticeable change is guaranteed by virtue of long-term incumbents—Senators

Dale Schultz (R-Richland Center) and Robert Jauch (D-Poplar)—retiring from districts that cover lots of territory. Combined, their two districts include all or part of 21 counties. Among the least affected areas will be central Wisconsin, where 10 Assembly members are running unopposed.

Republicans, who go into the elections holding a 60–39 edge, are expected

to retain their Assembly majority. The Senate is more competitive, with a slender Republican majority of 18–15 and four GOP retirements, to 3 incumbent Democrats retiring. 💡

Nuclear testing

If you owned a nuclear power plant and somebody asked to buy it even though you say it can't be operated economically, you'd probably find the prospect of a sale appealing, right? Not if you're Virginia-based Dominion Resources, current owner of Wisconsin's closed-down Kewaunee plant.

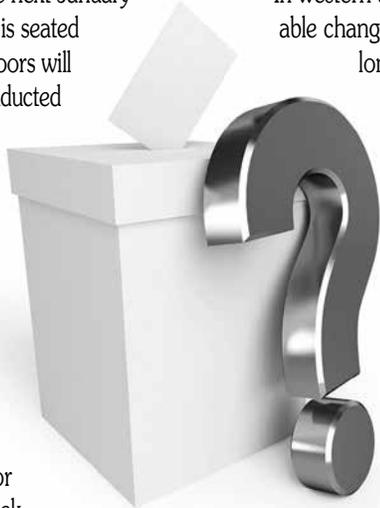


In July, Dominion responded to feelers by saying the Kewaunee plant is not for sale, but as of press time for this month's *Wire*, the enthusiastic suitor had not taken no for an answer. RGA Labs of Barrington Hills, Illinois, drew more than 100 local residents to a late July meeting in the Town of Carlton, where the Kewaunee plant is located, and made another pitch to buy and reopen the facility roughly a year into the multi-decade decommissioning that commenced after its 2013 early retirement.

An engineering and technology firm, RGA claims it could have the plant back on line in two years. That would be a considerable challenge because restarting Kewaunee would require a new operating license with full regulatory review, and RGA has reportedly not yet approached the Nuclear Regulatory Commission, which has jurisdiction over such matters.

The July public meeting wasn't RGA's first foray into the neighborhood. Company officials reportedly met in May with local business leaders and have been promoting the idea of restoring jobs at the plant for hundreds of area employees who lost them with the spring 2013 shutdown.

In October 2012 Dominion Resources said operating the plant was no longer economically feasible. RGA takes the opposite view, claiming experience in power markets and saying it would be bidding Kewaunee's capacity into the regional wholesale market every day. Near the end of July, Dominion emphasized that the plant isn't for sale. Stay tuned... 💡



Scrutinizing security

The Federal Energy Regulatory Commission (FERC) has weighed in on the North American Electric Reliability Corporation's plans for grid security, and the regulators want more say over which facilities are protected from physical attacks.

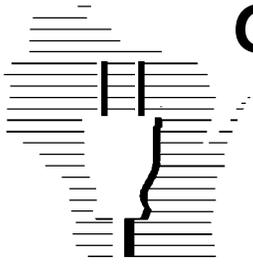
The FERC said last month it wants "governmental authorities, including FERC or another appropriate federal or provincial authority" (the NERC's jurisdiction extends into Canada) to be able to "add or subtract facilities" from an energy provider's list of critical facilities.

The FERC-proposed modification came by way of giving preliminary approval to a plan developed by the utility-dominated NERC in response to a March 7 FERC order to devise policies to protect critical infrastructure against physical attack, such as the destructive April 2013 sniper attack that disabled a major substation near San Jose, California.

No suspects have been apprehended in that incident, apparently involving multiple shooters who poured rifle fire into substation equipment and fled shortly before police arrived. The substation was out of commission for an extended period but grid operators were able to re-route power and no blackout occurred.

The March 7 order directed NERC to develop reliability standards requiring owners and operators of the bulk power system to assess risks and identify critical facilities, evaluate potential threats and vulnerabilities, and devise appropriate security plans. The NERC acquired enforceable authority over reliability standards through an act of Congress in response to the August 2003 maintenance-related blackout that darkened eight eastern states and parts of Ontario.

The NERC responded to the FERC's proposed modifications by saying its proposed reliability standard "is deliberately dynamic and adaptable to the constantly changing threat environment." 💡



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Quotable Quotes

“The standard...is deliberately dynamic and adaptable to the constantly changing threat environment.”

—North American Electric Reliability Corporation (NERC) responding to federal regulators proposing to approve, with revisions, a NERC-authored plan to protect the grid from physical attack, in a statement issued July 17, 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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