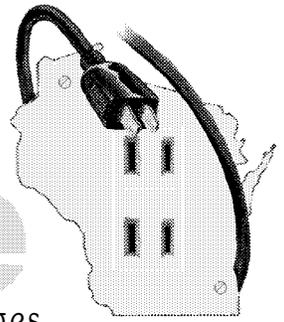


A Coalition
to preserve
Wisconsin's
Reliable and
Affordable
Electricity

Customers First!

the Wire

Plugging you in to electric industry changes



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Agencies confirm: power prices rising

Two federal agencies in recent weeks have produced statistics verifying what most energy customers already suspected. U.S. electricity prices have hit an all-time high, and nestled in the data are numbers suggesting that—especially when the weather turns mean—restructured electricity markets make things worse.

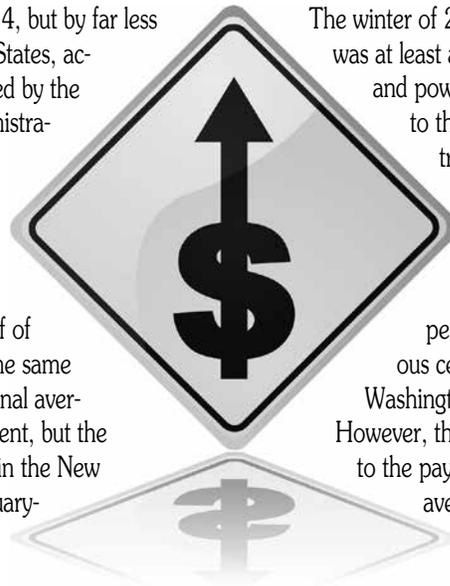
The average U.S. kilowatt-hour price of electricity held steady though the summer at the all-time high of 14.3 cents, according to information released by the Bureau of Labor Statistics (BLS). The price first reached the record-breaking level in June, BLS data showed.

The previous highest average kilowatt-hour price was reached in June through September 2013, at 13.7 cents.

Specifically breaking out residential customers, prices paid in the region including Wisconsin rose by more than the national average

during the first half of 2014, but by far less than in the New England States, according to statistics released by the Energy Information Administration (EIA).

Prices for the East North Central states—the census division that includes Wisconsin—rose 3.7 percent in the first half of this year compared with the same period in 2013. The national average increase was 3.2 percent, but the most notable change was in the New England states where January-through-June residential power prices climbed by 11.8 percent compared with the first six months of last year, the EIA's numbers showed.



The winter of 2013–14 in New England was at least as severe as Wisconsin's, and power supplies were stretched to the limit. Restructured electricity markets are operating in every state in the region except Vermont.

By contrast, prices declined by 2.5 percent in the Pacific Contiguous census division, comprising Washington, Oregon, and California. However, the EIA tracked that reduction to the payment in April of a credit averaging \$35 to customers of California's investor-owned utilities. The credit represents a refund from the state for fees paid by utilities for permits to emit greenhouse gases. Excluding the credit, prices through the three-state region were about 1 percent higher than in the first half of 2013, the EIA said.

Interestingly, the EIA found that the "primary driver" of the rapid climb in New England retail rates was "the sharp rise in wholesale power prices." Through the first half of this year, the EIA found, the day-ahead wholesale power price for the area controlled by the New England Independent System Operator averaged 45 percent higher than during the same period last year. "The increased cost of producing electricity in New England is evident in the **21% increase in the energy-only component of restructured retail suppliers' rates**," the EIA said, adding, "In contrast, **the delivery-only component of restructured retail customers' bills has risen only 2% this year.**" [emphasis added].

The delivery component has risen partly because of increased utility spending for transmission infrastructure, the EIA said. 

The Carbon Underground

Proposed, cancelled, revived, and stalled over the course of more than a decade, the first project to equip commercial-scale electric generation to capture its own carbon dioxide emissions and pump them underground for permanent storage finally began construction this summer.

The refitting of an old coal-fired power plant at Meredosia, Illinois, got started August 28, more than 11 years after the project was initially proposed and beating by three days a mandatory start date set by the Illinois Environmental Protection Agency.

Looming ahead is another deadline of September 2015, by which the FutureGen2.0 project must use the \$1 billion appropriated to support the carbon capture experiment under the 2009 federal stimulus legislation. A further \$600 million in private-sector investment, not yet fully secured, is expected to complete the financing picture.

If successful, the project at the half-century-old Ameren plant would capture about 90 percent of its carbon dioxide emissions and pump them through a 30-mile pipeline to a storage site nearly a mile underground. The Environmental Protection Agency issued four

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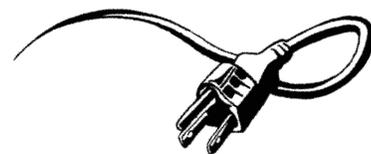
THE WIRE is a monthly publication of the *Customers First!* Coalition—a broad-based alliance of local governments, small businesses and farmers, environmental groups, labor and consumer groups, retirees and low-income families, municipal electric utilities, rural electric cooperatives, wholesale suppliers,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



The failure of the railroads to deliver sufficient amounts of coal to power plants is a serious problem, utility representatives told federal transportation regulators at a hearing in Fargo, North Dakota, last month. Commissioners from the Surface Transportation Board (STB) convened the hearing after receiving numerous complaints from grain and coal shippers in the upper Midwest about significant delivery delays that have left crops rotting in the fields and reduced coal inventories well below normal levels.

The rail transportation problems stem from congestion and capacity constraints in the northern corridor rail network, an area that extends from the Pacific Northwest to the Midwest. Initially, severe weather this past winter was blamed for the delays, but many shippers say there's more to it than that. They point to poor rail service that began before last winter and has continued through the summer when weather wasn't a factor.

The oil boom in North Dakota is seen by many as the main culprit in persistent rail service problems. Much of the crude oil from the Bakken Shale in North Dakota and Montana is transported to refineries by railcar. As Bakken oil production has surged over the past five years, shippers say the railroads are pushing them aside in favor of the more lucrative oil transport business.

Regardless of the reasons, Wisconsin electricity customers are paying a price. Most of the coal used in the state comes from Wyoming by rail and is affected by the congestion in the northern corridor. As train shipments to Wisconsin power plants fall further behind and coal stockpiles dwindle to critical levels, electricity providers have had to take steps to conserve inventories. A Wisconsin utility official told STB commissioners that their coal conservation measures have cost customers millions of dollars this year.

Railroads have reassured utilities and regulators that coal delivery will improve, but as Tim Rogelstad, president of Minnesota-based Otter Tail Power Company, wrote to the STB, the railroads' confidence is based on the fact that utilities are required to keep the lights on:

"... [T]he true severity of the current situation is being masked not only by the moderate summer weather but also by the actions taken by the utility coal shippers themselves—primarily coal conservation but also hauling coal by truck and switching to alternate fuels. These actions, intended to protect our customers' interest in the long term, not only come at a higher cost to customers but also enable [the railroad] to be more confident in its claims that it will not allow plants to run out of coal." 



Bromley

Carbon Underground

Continued from page 1...

underground injection well permits allowing the CO₂ storage the day after construction began but easements for the planned pipeline are still needed.

An additional remaining hurdle is litigation by the Sierra Club, which has asked Illinois authorities to require a prevention of significant deterioration permit placing limits on the plant's expected emissions of CO₂ and oxides of nitrogen.

Earlier this summer, FutureGen got an assist in the form of a 2-1 decision by an Illinois appeals court giving state regulators the green light to require utilities to enter into 20-year con-

tracts to buy electricity from the project.

Earlier in August the *Seattle Times* reported on scientists carefully monitoring underground CO₂ storage that's been going on since 2011 at a Decatur, Illinois, site—about 90 miles east of the FutureGen plant—where captured gas from an Archer Daniels Midland ethanol plant is buried.

The *Times* reported no signs of trouble at the Decatur site but acknowledged Stanford University researchers' warnings in a 2012 peer-reviewed paper that CO₂ injections could prompt seismic activity and fractures that might allow captured gas to escape.

The plant is scheduled to begin delivering electricity into the grid in 2017. 

Pipeline upgrades could ease rail problems—but not yet

The recent go-ahead from Minnesota regulators for improvements to an Alberta-to-Wisconsin oil pipeline could help alleviate pressure on freight railroads that have been backlogged in delivering fuel to Midwest power plants—but it will take a while.

Minnesota's Public Utilities Commission voted 4-1 in September to approve upgrades to Enbridge Energy's Alberta Clipper pipeline from Hardisty, Alberta, to Superior, Wisconsin.

The upgrades include new pumping stations in three Minnesota counties and other construction in three others. Ultimately, pipeline flow is expected to increase to 800,000 barrels of crude oil daily, from the current 450,000.

The *Minneapolis Star Tribune* reported the day after the vote that construction unions, electric utilities, and the Minnesota Chamber of Commerce presented testimony supporting the project, telling commissioners it would create jobs, boost tax revenue, and allow for environmentally safer and less expensive transportation of crude oil than the increasingly stressed rail systems can provide.

Opposing the project were local activist groups and the Sierra Club, who told commissioners the buildup of pipeline capacity isn't needed and will increase greenhouse emissions, the *Star Tribune* reported.

Because an international border crossing is involved, U.S. State Department approval similar to that required for the embattled Keystone XL pipeline will be needed before additional oil can flow. 💡

Still paying, after all these years...

Ohio restructured its electricity market 15 years ago, and customers of Akron-based FirstEnergy paid the company more than \$6 billion to redeem its "stranded" generation assets.

Now the company wants to be paid again, saying its coal and nuclear plants are too expensive to run and could be shut down, posing a dilemma for regulators: Do they dun the ratepayers to save the power plant jobs and tax base, or spare them and risk losing facilities that might be needed if the economy takes off or natural gas prices start to climb?

It's complicated because there are regulated and unregulated assets all under the FirstEnergy (FE) roof.



The holding company has asked state regulators to order three of its regulated utility affiliates to enter into 15-year power purchase agreements to buy the electricity output from four of its unregulated generation facilities.

FE calls the plan "Powering Ohio's Progress," saying it will ensure the future availability of "vital facilities" that it doesn't expect to see generating more revenue than cost until 2019. The company maintains customers will actually save money in the long run.

The Ohio Consumers' Counsel, a state agency, sees it differently, saying FE is "asking the government to guarantee profits for what are deregulated power plants whose profits should instead be determined in the electricity market."

Quoted in *RTO Insider*, agency spokesman Scott Gerfen added that customers had already "paid billions of dollars to FirstEnergy for its transition to deregulated power plants."

FE says with power prices projected to increase over time, proceeds that exceed costs from the power purchase agreements will flow back to customers as credits against their bills, but *RTO Insider* noted that none of this is guaranteed.

Financial analysis firm UBS was dubious, saying it doubted FE could get regulatory approval for the plan and changing its outlook on the company from "hold" to "sell," *RTO Insider* reported. 💡

Stats track huge transmission investment

Outlays for U.S. electric transmission infrastructure in 2012 were more than five times the amount spent for that purpose in 1997, with electric cooperatives tripling their transmission expenditures during that period, the U.S. Energy Information Administration (EIA) reported this summer.

Industry-wide, the data reflected transmission investments of \$2.7 billion in 1997 climbing more or less steadily to \$14.1 billion in 2012, reversing a three-decade decline.

The EIA cited several reasons including system reliability improvements—the increased



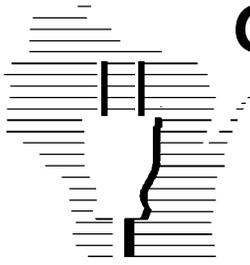
spending accelerated after the August 2003 blackout that played havoc in parts of the Eastern United States and Canada.

Also cited were growing reliance on renewable generation located far from load centers, and the increasing expense of commodities used in construction such as steel and concrete, along with rising fuel and labor costs.

Despite electricity demand remaining essentially flat, growing less than 1 percent annually in recent years, the location of the demand has changed, the EIA noted, with greater growth occurring in the South and West and requiring additional infrastructure. 💡

Energy saver tip

When energy costs balloon like they did last winter, it's worth the effort to find every advantage you can. Check weather stripping and door sweeps for wear and make sure they're doing their job. Use a caulking gun on exterior surfaces where different building materials meet—otherwise they might not make a weatherproof seal. 💡



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Be sure
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Quotable Quotes

“1.9 million consumers paid billions of dollars to FirstEnergy for its transition to deregulated power plants under a 1999 Ohio law. Fifteen years later, FirstEnergy is again asking consumers to pay charges related to the power plants...Needless to say, we are concerned for our consumers.”

—Ohio Consumers' Counsel spokesman Scott Gerfen, commenting on FirstEnergy's "Powering Ohio's Progress" plan and quoted in *RTO Insider*, August 12, 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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