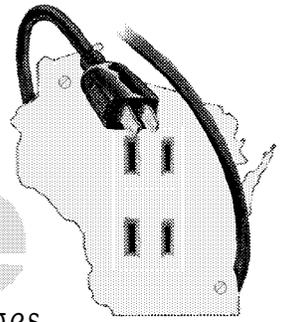


A Coalition
to preserve
Wisconsin's
Reliable and
Affordable
Electricity

Customers First!

the Wire



Plugging you in to electric industry changes

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FINAL (print) EDITION!

This edition will be *The Wire's* last as a hard-copy, printed newsletter. It will continue as a vehicle for keeping customers connected with issues that affect the price and reliability of electricity in Wisconsin, but beginning in 2015, *The Wire* will be distributed quarterly, and exclusively in electronic format.

In the decades before the *Customers First!* Coalition launched this publication, the electric utility industry wasn't known as a source of much headline material. Electric utility restructuring (commonly called "deregulation" though it's tended to create at least as much regulation as it has eliminated) changed that decisively in the 1990s. The headlines reproduced on this page recall *The Wire's* coverage of hard news and key issues during its 19-year existence in this format.

Wisconsin was already embarked on the costly path of restructuring when those headline issues helped *Customers First!*—and, luckily, state policymakers willing to entertain second thoughts—to steer the state back to safety before the bitter experience of, for example, California, could be repeated here.

And yet, there will always be those who are attracted by the benefits they hope restructuring might bring them, and new issues will always arise. If one thing has been clarified in the decades since the utility industry ceased to be a placid corner of American commerce, it's

that any time something makes electrical energy more expensive or less reliable, it has a real effect on the lives of real people. In other words, it's news. This newsletter won't be covering

it with ink on paper, but it will remain on the scene as a voice for reliable, affordable electricity and the customers who need it to power their daily lives. 💡



If you would like to
receive *The Wire* via
email, please email Matt
Bromley at mbromley@customersfirst.org.



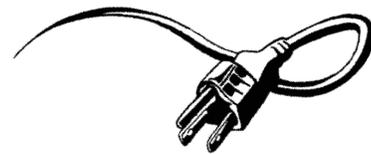
THE WIRE is a monthly publication of the *Customers First!* Coalition—a broad-based alliance of local governments, small businesses and farmers, environmental groups, labor and consumer groups, retirees and low-income families, municipal electric utilities, rural electric cooperatives, wholesale suppliers, 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 dispute over who should shoulder the costs to keep a power plant running in Michigan's Upper Peninsula has exposed the real, and unfortunate, consequences of electric deregulation.

Michigan politicians are up in arms over the latest plan that pays We Energies to continue operating its Presque Isle Power Plant in Marquette. The plan, they say, could lead to significant rate hikes for Michigan customers.

As you may recall, We Energies, which has customers in both Wisconsin and Michigan's Upper Peninsula, wanted to close the Presque Isle plant when two iron ore mines that made up about 80 percent of the utility's Michigan load chose a different electricity supplier under Michigan's electric deregulation law. The Midcontinent Independent System Operator (MISO) deemed the plant too critical to the area's power needs to shut down. MISO therefore agreed to pay We Energies to keep the plant running and to assess utility ratepayers throughout the transmission footprint of the American Transmission Company for the payment costs. That initial cost allocation plan had Wisconsin ratepayers picking up about 92 percent of the plant's operating costs while Michigan ratepayers, including the mines, who continued to depend on the plant for their electric service, paid only 8 percent of the costs.



Bromley

In July, the Federal Energy Regulatory Commission agreed with a complaint filed by the Public Service Commission of Wisconsin contending that the cost allocation was unfair. MISO filed a revised plan that more fairly assigns costs of running the plant to those who need the plant for their electric service. Michigan officials are now objecting to the revised plan because nearly all the costs would fall on ratepayers in the UP. One local newspaper reported customers could see a 30 percent increase in their electricity costs if the revised allocation plan is approved.

While it is expected that Michigan politicians would protest the impending rate hikes, they would also do well to take a hard look at their state's electric deregulation law, known as Customer Choice. After all, it was this law that allowed the mines to continue getting power from Presque Isle without paying We Energies for it.

In comments made during a recent earnings call, We Energies' CEO Gale Klappa described the law as an obstacle to addressing the power supply challenges in the UP.

"It's becoming very, very clear—it has been clear for a while to us, and I think it's becoming clear to all the parties in Michigan—that the customer choice law there is deeply flawed," he said. "Ninety percent customer choice in the UP makes long-term capacity planning very, very difficult." 

Elections suggest little change

Republicans grew their majorities in both houses of the Wisconsin Legislature last month, but it was Governor Walker's re-election that signifies the only direct effect on state energy policies: Walker will now have the opportunity to name a successor to Eric Callisto when his term on the Public Service Commission (PSC) expires next year.

By design, commissioners serve staggered, six-year terms so that in order to appoint all three members of the regulatory panel, a governor needs to win re-election to a second, four-year term. Callisto was appointed by Governor Jim Doyle in 2008, midway through his second term. The appointments are subject to confirma-

tion by the state Senate.

The likelihood of any change in the Legislature's approach to energy-related issues would appear small, given that the November election altered only the margins in the two houses. The Republican majority in the Senate will go from the current 18-15 to 19-14 as of January, and the Assembly Republican majority will go from 60-39 to 63-36.

On the radar as a potential issue in the coming legislative session is the question of third-party ownership of renewable generation facilities sited on customer property, and whether such arrangements should be subject to PSC regulation. 

Adjusting the Focus

The Public Service Commission is making changes to the Focus on Energy renewable energy program.

By a 2-1 vote in November, the commission (PSC) adopted revisions spanning the next four years. During 2015, \$5 million in rebates will be available for qualifying projects. The amount will decline to \$3.5 million for 2016, but alongside the rebates will be a new revolving loan fund totaling \$10 million.

The loan fund will begin accepting applications next year for projects to be undertaken in 2016 through 2018.

The PSC asked for a report in 2016 that will help it make financing decisions for cash-back incentives during 2017 and '18. No funding levels have been set for incentives during those two years.

The plans represent a softening of the PSC's stance on renewable energy rebates. This summer the commission indicated its intention to eliminate cash rebates altogether and convert all incentives to a loan program. 

PSC gives wind farm a break on litigation

With the outcome of litigation still unknown, the Public Service Commission (PSC) has decided the developers of a large, proposed wind farm in western Wisconsin shouldn't be bound by a construction deadline that passed this fall. Commissioners voted to push the one-year construction window back so the clock won't start until the lawsuits are resolved.

It's unknown whether the Highland Wind Farm would be under construction or on-line by now in the absence of legal challenges filed by local project opponents, but it's clear the PSC is willing to consider that possibility.

The Certificate of Public Convenience and Necessity for the 102.5 megawatt, 41-square mile generation facility in the St. Croix County Town of Forest was set to expire October 25 because construction hasn't started. But four days before the deadline the commission, without dissent, issued an order amending its prior actions.

Recognizing the ongoing litigation, the new order grants a one-year extension, but the clock could begin running on any of four dates, only one of which has been determined. The deadline now falls one year after issuance of the new order on October 21, or the latest of:

- The date by which the project has received every required federal, state, and local permit, approval, and license;
- The date on which every deadline has expired for requesting administrative review or reconsideration of all permits, approvals, and licenses; or,
- The exhaustion of every proceeding for judicial review provided under statute law.

The PSC noted that allowing the one-year deadline to run from those dates would be consistent with similar language in the statutes and that it is "reasonable" for the developers to await the outcome of pending litigation before making additional investments in the project.

A January 2014 petition by the Town of Forest for judicial review was pending in St. Croix County Circuit Court. 

It seemed like a good idea at the time...

Municipal utilities and electric cooperatives are key constituencies in the *Customers First!* Coalition, and having some concepts in common, we were hesitant to criticize the municipal aggregation programs that caught on in Illinois

Energy saver tip

If you aren't using a programmable thermostat, you may be tempted to run the setting up high on arriving home and finding the house chilly. Don't do it! Your furnace works at the same rate no matter the setting, so overshooting your comfort zone will just use more fuel without getting you warm any faster. Set the temperature you really want, and walk away. 

over the past couple of years. But experience is now revealing a consistent pattern of higher rates.

In a special report published last month, the Illinois Citizens Utility Board (CUB) lamented that municipal aggregation "was once a sure bet for electricity savings," but that changing market conditions have driven up prices statewide, leading "hundreds of municipalities" either to abandon their aggregation plans or to continue them with rates that are higher than those of the incumbent utilities customers were fleeing when they authorized aggregation in a wave of local referenda earlier this decade.

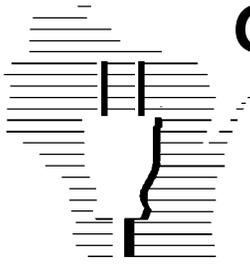
That leaves customers with three options: Take service from the incumbent utility serving their area, either Commonwealth Edison or Ameren; stay in the aggregation program with

whatever supplier the municipality had chosen; or go shopping for an alternative supplier on their own.

More than 700 Illinois communities adopted aggregation programs and two years ago, many were able to offer savings as great as 50 percent below the incumbent utility rates, CUB said. Since then, aggregated rates have been creeping upward.

CUB Executive Director David Kolata noted that in choosing a power provider, customers need to be alert to more than just kilowatt-hour rates. They also need to be aware of other fees added onto the monthly bill and to make sure they know whether they'll pay a penalty for quitting the program.

Energy efficiency, Kolata added, is the most reliable way of reducing electric bills. 



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Be sure
to check out
the *Customers First!*
website at

www.customersfirst.org



Quotable Quotes

“Although it’s still possible to save money with electric competition, the era of easy savings is over in Illinois.”

—David Kolata, Executive Director of the Illinois Citizens Utility Board, commenting on rising electricity prices in the state’s municipal aggregation program and quoted in a CUB Special report, November 11, 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.

Customers First!
Plugging Wisconsin In

