

CUB Reporter

Citizens Utility Board Newsletter • SPRING 2013

CUB Helped Save Ratepayers \$704 Million in 2012

During 2012, CUB intervened on your behalf in several cases at the Public Service Commission and other agencies, in which utilities were seeking to raise electric rates, or to receive approval for projects such as new transmission lines.

The PSC and others accepted many of CUB's suggestions for ways to lower costs to consumers, saving \$704 million on your future electric bills. Notably, CUB helped save Wisconsin electricity customers at least \$600 million by opposing a near \$1 billion project proposed by the American Transmission Company to build transmission lines from Green Bay to Michigan's Upper Peninsula.

CUB also made recommendations that resulted in smaller increases in electricity rates for 2013 than sought by the utilities.

Hard work by CUB's staff and consultants, plus good decisions by the Public Service Commission and other agencies, made these savings possible.

Below are summaries of the cases, including CUB's recommendations and the decisions by the PSC and other agencies. Each proceeding is identified by a "docket number," which is included in the title of each summary. You can view most the documents submitted in each case, including CUB's expert testimony and legal briefs, by entering the docket number on the PSC's website, <http://psc.wi.gov>.

We Energies, Rates for 2013 and 2014, 5-UR-106

On March 23, 2012, We Energies filed a request with the Public Service Commission to raise electric rates by \$99 million, or 3.6 percent, starting January 1, 2013, and another increase of \$100 million, or 3.6 percent, starting January 1, 2014.

Regarding electric rates, We Energies said the main drivers are the two new coal-fired power plants at Oak Creek, new pollution controls being installed on the older Oak Creek units, the new Glacier Hills wind farm, and the new biomass-fired power plant being built in Rothschild, near Wausau.

CUB intervened in this case and investigated the cost overruns of \$182 million for the two new coal-

fired power plants at Oak Creek, which cost over \$2.3 billion to build. CUB also raised questions about the Valley Power Plant, a two-unit coal-fired power plant that produces electricity and steam for downtown Milwaukee customers. Not only does the Valley plant pollute near-by neighborhoods with toxic emissions, the plant is very expensive to run, and the rates paid by steam customers are heavily subsidized by electric customers.

On December 21, 2012, the PSC issued its final decision, and allowed We Energies to raise its electric rates for 2013 by \$114.8 million, or 4.2 percent. Ratepayers will be hit with another increase of \$73 million, or 2.6 percent, when 2014 rates start next January.

The PSC agreed with CUB on a number of issues, and reduced the rate increases by \$42 million. Noteworthy reductions include \$24 million for converting the new Oak Creek plants to burn western coal: We Energies can't recover this cost from ratepayers until the plants are actually able to burn western coal. Other reductions in the rate increase totaling about \$12 million were for costs related to building the Oak Creek plants that exceeded the 5 percent "collar" for cost overruns. Typically, utilities get 10 percent cost-overrun collars, but CUB successfully argued in 2003 for a 5 percent collar, saving consumers millions in rate increases.

Unfortunately, the PSC allowed We Energies to increase the "facilities charge" on a consumer's bill by 20 percent. A facilities charge (also known as a "customer charge") is one part of the electric bill that more or less stays the same each month, and doesn't change based on usage, whereas the other part of the electric bill is the "energy charge," which changes based on usage. CUB argued for no increase in the facilities charge, since higher facilities charges force customers who use less electricity to effectively pay higher rates, and higher facilities charges reduce the incentive for customers to save electricity.

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From the Executive Director

With good decisions from the Public Service Commission, during 2012 CUB was able to help save Wisconsin consumers over \$704 million in their future electric rates.

This newsletter describes some of the work we did to win those savings for you.

For example, CUB made suggestions to reduce rate increases by Madison Gas & Electric, Wisconsin Public Service Corp., We Energies, and Xcel Energy. The PSC agreed with many of our suggestions, trimming over \$104 million off the rate increases sought by the utilities.

CUB was able to save all Wisconsin ratepayers hundreds of millions by opposing a proposal from American Transmission Company to build new transmission lines between Green Bay and areas in Michigan's Upper Peninsula. Though this project must still be reviewed by the Public Service Commission, the original proposal by ATC would have cost nearly \$1 billion. With pushback by CUB and other organizations, ATC has reduced the size of the project to around \$400 million, saving you at least \$600 million in future electricity bills.

With a small staff and a very modest budget, CUB has been able to save you over \$2.8 billion on your electric bills since 2008.

Looking to 2013, CUB will have plenty to do, with several of Wisconsin's major utilities likely seeking increases in electric rates for 2014.

CUB will also review a \$500 million proposal for a new transmission line between Madison and La Crosse. We expect American Transmission Company and Xcel Energy to apply with the PSC for permission to build this line in June 2013.

CUB is also reviewing whether pollution controls should be added to several coal-fired power plants, including Weston Unit 3 located near Wausau, and Edgewater Unit 5, located near Sheboygan. The utilities that own



these plants, Wisconsin Public Service Corp. and Alliant Energy, want to spend nearly \$800 million to install pollution controls, which would cause your electric rates to increase.

We're also following legislative proposals from the Wisconsin Legislature and Gov. Scott Walker. Though it's early in the 2013-2014 legislative session, we've already seen legislation that would allow nuclear power to count as renewable energy, and a proposal to stop the development of new wind farms in Wisconsin.

Distressingly, many of the bills we've heard about would end up raising your energy bills. With some of the highest electricity rates in the Midwest, CUB is urging legislators to instead support larger budgets for Focus on Energy, Wisconsin's statewide program to make homes and businesses more energy efficient.

Focus on Energy has helped more than 2 million Wisconsin households and businesses save more than \$2 billion on their energy bills since 2001. CUB is asking legislators to restore the cuts made to the budget to Focus on Energy in 2011. The more we invest in energy efficiency, the more we'll save on our energy bills.

I'd like to thank all our members and organizations that support our efforts. We hope to keep on saving you money in 2013.

Program Updates

Electric Rate Increases for 2014

During 2013, CUB expects Madison Gas & Electric, Wisconsin Public Service Corp., and Xcel Energy to seek higher electricity rates for 2014.

CUB will be intervening in these cases, looking for ways to reduce the size of rate increases sought by the utilities.

Alliant Energy, Retrofit of Edgewater 5, 6680-CE-174

On July 27, 2012, Alliant Energy requested permission from the Public Service Commission to install a \$450 million “dry flue gas desulfurization system” on Edgewater Unit 5, a 430 megawatt coal-fired generator located near Sheboygan. The pollution control equipment would reduce emissions of sulfur dioxide.

Another type of pollution control, a “selective catalytic reduction system,” is currently being installed that will reduce nitrogen oxide emissions.

CUB has intervened in the case to make sure retrofitting the plant is in the best interest of ratepayers. The PSC will likely decide the case by the end of 2013.

Alliant Energy, Retrofit of Nelson Dewey 1 & 2, 6680-CE-172

In January 2008, Alliant Energy updated its request for permission from the Public Service Commission to install pollution controls on units 1 & 2 of the Nelson Dewey coal-fired power plant located near Cassville, which has a combined generating capacity of 220 megawatts.

Alliant announced in July 2012 that it would retire the plant by the end of 2015, most likely because it would be too expensive to add pollution controls to the 50 year-old plant.

The issue now sits before the Midwest Independent Transmission System Operator, which must determine whether improvements

to the transmission system must be made before the plant can be shut down. MISO will likely make a determination by the end of 2013. CUB will continue to follow this case at MISO and the PSC.

Wisconsin Public Service Corp., Retrofit of Weston Unit 3, 6690-CE-197

On May 7, 2012, WPS filed an application with the Public Service Commission for a certificate of authority to install a multi-pollutant control technology known as ReACT at Weston Unit 3, a 321 megawatt coal-fired unit located near Wausau. The ReACT pollution control system would cost about \$300 million. The technology would primarily reduce sulfur dioxide emissions with some reduction in nitrogen oxide emissions as well.

CUB examined the need for pollution control equipment at this

facility, and whether ReACT is an appropriate control technology. The PSC will likely decide this case in the first quarter of 2013.

Wisconsin Public Service Corp., System Modernization and Reliability Project, 6690-CE-198

On October 31, 2012, WPS filed an application with the PSC for permission to spend more than \$220 million to place some distribution lines underground, and to add additional automated controls to its system. Distribution lines run from utility substations to homes and businesses, and can be knocked down by storms and accidents.

CUB has intervened in this project to make sure the proposed investment by WPS is reasonable. The PSC will likely decide this case in 2013.

CUB Helped Save Ratepayers \$704 Million in 2012

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CUB also argued to end the subsidies paid by electric customers that keep the steam flowing from the Valley plant to downtown businesses. Electric customers pay between \$5 million to \$35 million more each year to subsidize the production of steam at Valley. Unfortunately, the PSC decided not to end these subsidies charged to electric ratepayers.

American Transmission Company, “Northern Plan” for Two 345 kV Transmission Lines for the Upper Peninsula of Michigan, 137-CE-166

In November 2011, American Transmission Company announced that it was studying whether two 345,000 volt transmission lines should be built to serve Marquette, Michigan and surrounding areas in the Upper Peninsula. The proposed lines would run from Green Bay to

Marquette, and from Wausau to Marquette, with the latter line slicing through the Chequamegon-Nicolet National Forest.

If built, ATC’s proposals would cost around \$2 billion, and two commissioners at the Public Service Commission immediately expressed concerns about Wisconsin ratepayers paying to serve Michigan’s U.P.

ATC’s announcement followed several developments in the U.P., particularly the announcement by We Energies that it may shut down its Presque Isle Power Plant instead of adding expensive pollution controls. The Presque Isle plant consists of five coal-fired units that together produce 431 megawatts of electricity.

In the spring of 2012, We Energies announced it was working with Wolverine Power Cooperative (Cadillac, MI) on options for

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(CUB) is a member-supported, nonprofit organization whose purpose is to:

- Provide public interest legal services to ensure effective and democratic representation of residential utility customers before regulatory agencies and the courts;
- Advocate for reliable, affordable, and sound utility service; and
- Educate consumers on utility service through the preparation, compilation, analysis, and dissemination of information and resource materials relating to utility regulation and public energy and telecommunications policy.

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fighting for you!**

New Program Expands Membership

Early last year, CUB began a new membership program called: Each 1/Reach 1. In this program, contributing CUB members can give away a complimentary one-year CUB membership to a person of their choosing.

Expanding CUB's membership can be very expensive and this program allows us to reach out to folks in a very cost-effective way. We'd like to welcome our new Each 1/Reach 1 members below and encourage all CUB members to take advantage of this program.

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Presque Isle, including repowering with natural gas. In November 2012, We Energies and Wolverine Power announced that Wolverine will invest \$140 million in new pollution controls that will keep the coal plant open, reducing but not eliminating the need for new transmission lines.

During the spring of 2012, CUB, the Environmental Law & Policy Center, (ELPC) and other groups provided several rounds of comments to the Midwest Independent Transmission System Operator, which controls the Midwest electric grid. CUB and ELPC raised concerns with MISO about the cost and environmental impact of ATC's proposal.

In June 2012, analysts at MISO recommended a smaller set of transmission lines costing less than \$300 million. In February 2013, ATC estimated the smaller project would cost between \$273 million and \$409 million.

In opposing the larger project of lines from Green Bay to Marquette with a price tag near \$1 billion, CUB

helped save Wisconsin electricity customers at least \$600 million in future electricity costs (the other billion-dollar proposed line from Wausau to Marquette appears to be unneeded).

ATC will likely file an application with the PSC to build the line from Green Bay to Oconto Falls in late 2013. CUB will continue to follow this case at the PSC and MISO.

Alliant Energy, Rates for 2013 & 2014, 6680-UR-118

On May 3, 2012, Alliant Energy filed an application with the Public Service Commission to freeze "base electric rates" for 2013 and 2014, and reduce gas delivery rates in 2013 and freeze those rates in 2014.

CUB and the Wisconsin Industrial Energy Group negotiated a settlement with Alliant in the months before the utility made its filing. Although settlements of rate cases are rare in Wisconsin, PSC staff believed that Alliant could freeze its electricity and gas rates for two years without going through the full scrutiny of a rate case.

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After reviewing a focused set of information regarding Alliant's rates, CUB and WIEG were able to agree with Alliant's proposed rate freeze for 2013 and 2014, though electric rates may change in these years due to changing prices for fuels used to make electricity. The PSC approved Alliant's rate freeze proposal on June 15, 2012.

Madison Gas & Electric, Rates for 2013, 3270-UR-118

On March 23, 2012, Madison Gas & Electric applied with the Public Service Commission to raise electric rates by \$23 million, or 5.8 percent, starting January 1, 2013.

Regarding electric rates, MGE said the main drivers for the increase are the two new coal-fired power plants at Oak Creek, south of Milwaukee, in which MGE has a small ownership share along with We Energies and WPPI Energy. Other drivers include new pollution controls being installed at the Columbia power plant near Portage and additional costs for transmitting power from power plants to substations.

CUB intervened in this case and investigated MGE's attempt to dramatically increase a residential customer's "customer charge," the part of the electric bill that more or less stays the same each month, and doesn't change based on usage (the other part of the electric bill is the "energy charge," which changes based on usage). When customer charges make up more of a bill, they dampen the cost savings customers can realize by saving energy. CUB is opposed to higher customer charges because they can reduce a customer's incentive to save energy.

On December 14, 2012, the PSC issued its final decision on this case, allowing MGE to raise its electric rates by \$14.9 million, or 3.8 percent.

Though CUB challenged MGE's attempt to raise the "customer charge" by 40 percent, the PSC still

decided to increase the charge by 20 percent. This means that customers that use less electricity than average will pay higher rates, and customers will also have less incentive to save energy.

CUB also dug through hundreds of pages of utility paperwork and found a math error, saving customers more than \$500,000.

Wisconsin Public Service Corp., Rates for 2013, 6690-UR-121

On March 30, 2012, Wisconsin Public Service Corp. filed a request with the Public Service Commission to raise electric rates by \$85 million, or 9.2 percent, starting January 1, 2013.

An audit performed by PSC staff during the summer reduced the rate increase to about \$56 million.

While PSC staff were performing the audit, WPS engaged CUB and other parties in settlement negotiations, which resulted in no increase in electric rates for 2013.

The PSC approved the settlement and no increase in electric rates in its final decision issued on December 7, 2012. In effect, CUB helped save ratepayers \$56 million in an unneeded rate increase.

Xcel Energy, Rates for 2013, 4220-UR-118

On June 1, 2012, Xcel Energy filed an application with the Public Service Commission to raise electric rates by \$39.1 million, or 6.7 percent, starting January 1, 2013. The utility also sought to increase rates for delivering natural gas by \$5.3 million, or 4.9 percent.

Xcel said the main drivers for the large increase in electric and gas rates are new transmission lines, major work on its two nuclear plants in Minnesota, restoration of a contaminated site in Ashland, other maintenance projects, and general inflation.

Xcel needs to clean up a site in Ashland where manufactured gas was made between 1885 and 1947.

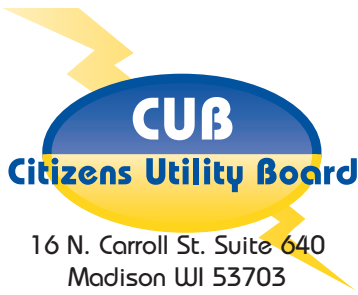
The site, which is on the shore of Lake Superior, is on the U.S. Environmental Protection Agency's "national priorities list," which is part of the Superfund program to clean up contaminated areas. The site was also used for many other industrial and municipal purposes, and clean-up costs are estimated to be at least \$100 million.

On August 9, 2012, Xcel announced a settlement with the U.S. Department of Justice and other agencies regarding the Ashland project, and will pay about \$40 million to clean the land-portion of the site. CUB investigated Xcel's proposal to charge ratepayers for this clean up. Costs to clean the lake-portion of the site will be investigated in future proceedings.

CUB also tried to reduce the size of the increase in electric and gas rates by questioning the costs charged to customers for fuel to make electricity, the allocation of utility costs between residential and industrial customers, and the design of residential rates.

On December 27, 2012, the PSC issued its final decision, allowing Xcel to increase electric rates by \$36 million, or 6.1 percent. Natural gas delivery rates rose by \$2.7 million, or 2.5 percent. The PSC agreed with CUB and reduced the rate increases by about \$5 million: Xcel can't charge ratepayers for incentive pay for management-level employees, and costs for cleaning up the Ashland Superfund site will be collected over more years. CUB also successfully kept electric customers from having to pay for cleaning up the Ashland site, though the burden now falls completely on gas customers.

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CUB’s Action Network Has Impact

Last year, CUB launched a new website and started using social media. Our new website included some improved technology to help you send important messages directly to your elected representatives simply and easily, with just a few clicks. Our ‘social media’ presence on Facebook and Twitter, took our Action Alerts to a much wider audience that ever before (including non-CUB members).

The new CUB website contains important utility-related news from our state, nation, and around the world in the “Latest News” segment. The “CUB Spotlight” section shines a bright light on the latest CUB activities and programs.

CUB’s activity on Facebook and Twitter gives us the ability to bring important news in ‘real-time’ throughout the day to more than 50,000 people. This ability came in very handy in late February when a flawed energy bill was being rushed through the legislature.

Late one Friday we got the news that SB 35 was scheduled to have a hearing the following Tuesday and voted out of committee two days later. This bill would have delayed when communities and landowners would receive information about proposed transmission lines, and would have reduced the flow of

information to the Department of Natural Resources needed to issue environmental permits. We were also concerned that legitimate concerns may not be addressed with such a rushed schedule to pass the bill.

We kicked our “Action Network” into gear – posting an Action Alert on our website, Facebook and on Twitter. AND IT WORKED! Well over a hundred people took the ‘action’ on SB 35 in just a couple days, enough to encourage Sen. Paul Farrow, chairman of the senate public works committee, to support amendments improving the bill, and extending the period for the bill’s consideration.

So, if you haven’t already, sign up for CUB’s Action Network (<http://wiscub.e-actionmax.com/signup.asp>), ‘like’ CUB on Facebook (www.facebook.com/wiscub), ‘follow’ CUB on Twitter (<http://www.twitter.com/CUBWI>) and help CUB the next time we call!

