



# CUB Reporter

Citizens Utility Board Newsletter • FALL 2013

## CUB Fights Valley Power Plant, Proposed Utility Rate Increases

Several Wisconsin utilities are asking permission from the Public Service Commission to raise electric rates, or to get approval to spend millions on questionable projects. CUB is intervening in these cases at the PSC, urging reductions in utility costs and profits to keep a lid on your electric rates.

### **We Energies, Retrofit of Valley Power Plant, 6630-CU-101 and 6650-CG-235**

On April 26, 2013, We Energies filed an application with the PSC for permission to convert the Valley Power Plant to run on natural gas, rather than coal. Valley is a two-unit coal-fired power plant with a total capacity of 280 megawatts and is located in downtown Milwaukee.

We Energies expects it will cost \$80 million to convert Valley to natural gas, and it wants electric customers to pay \$73 million of that amount. Valley currently runs primarily to provide steam for approximately 450 downtown Milwaukee businesses. CUB has intervened in the case and is investigating whether electric customers get enough benefits from Valley to justify paying for 92% of the costs to convert it. If CUB's analysis shows that electric customers do not get sufficient benefits, CUB will propose a change in the cost allocation in order to reduce costs paid for by electric customers.

The PSC will likely decide the case in the first quarter of 2014.

### **Wisconsin Public Service Corp., Rates for 2014, 6690-UR-122**

On March 29, 2013, WPS filed a request with the Public Service Commission to raise electric rates by \$71 million, or 7.4 percent, and natural gas delivery rates by \$19 million, or 5.6 percent, starting January 1, 2014.

As part of its request, WPS wants to increase its profits from 10.3 percent to 10.75 percent, which would cost ratepayers millions in rate increases.

CUB has submitted its initial round of expert testimony to the Public Service Commission that calls for slashing the electric increase, reducing the impact of any increase on residential customers, and cutting the huge profits sought by the utility.

The PSC will decide this case by the end of 2013.

### **Xcel Energy, Rates for 2014, 4220-UR-119**

On May 31, 2013, Xcel Energy filed an application with the Public Service Commission to raise electric rates by \$40 million, or 6.5 percent, starting January 1, 2014. The utility also sought to increase rates for delivering natural gas by \$4.7 million, or 3.8 percent.

CUB will file testimony with the Public Service Commission, urging that utility shareholders should pay for any unreasonable costs for the \$100 million clean-up of the Ashland manufactured gas site. CUB will also say that big businesses should pay their fair share of any rate increases imposed on electric customers.

The PSC will decide this case by the end of 2013.

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\$1 contributed*

# From the Executive Director

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The big news for 2013 is that We Energies would like to refurbish the Valley Power Plant to run on natural gas instead of coal at a cost of nearly \$80 million.

The Valley Power Plant is a two unit coal-fired power plant with a total capacity of 280 megawatts. Valley is located in downtown Milwaukee, and has been a major source of pollution for downtown residents since 1968.

Trouble is, the Valley plant runs mostly to provide steam to about 450 Milwaukee businesses, yet electric ratepayers pick up most of the costs for the plant. Worse yet, We Energies wants electric ratepayers to pay over 90 percent of the costs, or more than \$70 million, to convert Valley to gas, even though Valley may not be needed at all for generating electricity.

CUB is investigating whether electric ratepayers receive sufficient benefits from the plant to justify paying the costs We Energies wants them to pay for it.

Two other utilities have proposed sizeable increases in electric rates for 2014. Wisconsin Public Service Corp. would like to raise electric rates by \$71 million, or 7.4 percent. Xcel Energy wants to increase electric rates by \$40 million, or 6.5 percent. CUB is preparing testimony that will ask the Public Service Commission to roll back these rate increases.

These are just some of the cases that CUB is working on in 2013. This newsletter provides an update on these and other cases that CUB is working on, trying to save you money on your energy bills.

In addition to utility cases, CUB has been following developments in the Legislature, which began the 2013-2014 legislative session in January and will end in May 2014. This newsletter notes that few bills dealing with energy and utility issues have been introduced, let alone signed into law by Governor Scott Walker.

Nationally, the big news in the electric power industry is the shuttering of five nuclear reactors, including the Kewaunee nuclear power plant located near Carlton. Kewaunee was orig-



inally owned by Wisconsin Public Service Corp. and two other Wisconsin utilities, but was sold to Dominion in 2005. Dominion, a utility holding company located in Virginia, shut down Kewaunee in May because it couldn't sell power at competitive prices. Regional prices for electricity have been and are expected to be at historic lows due to low natural gas prices.

Low prices for electricity have also caused four other reactors to shut down: the Crystal River reactor near Crystal River, Florida; two reactors at the San Onofre Nuclear Generating Station near San Clemente, California; and Vermont Yankee near Vernon, Vermont, which will cease operations in December 2014. Crystal River and San Onofre were also facing billion dollar repairs.

Other nuclear reactors operating in the U.S. may shut down in coming years, due to low wholesale prices for electricity, and due to repairs that may be too costly to justify.

Back to the Citizens Utility Board, we've had some staffing changes and expect to have some more. Associate director Phil Kerckhoff has become the executive director of the Fox-Wisconsin Natural Heritage Parkway, an organization that promotes the natural, recreational, and historic resources within the corridors of the Fox and Wisconsin Rivers. We wish

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# Program Updates

## Citizens Utility Board

**(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.

## Citizens Utility Board

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## Legislative Work

The Wisconsin Legislature reconvened in January for its 2013-2014 session. Listed below are energy and utility bills that have been passed and signed into law this session, which will more or less conclude in May 2014.

- 2013 Act 12 (AB 64 & SB 55), allowing joint local water authorities the ability to recover costs for facility relocation; CUB supported.
- 2013 Act 10 (AB 39 & SB 35), allowing ATC to provide transmission service on lines it doesn't own, and to clean up rules regarding public disclosure of transmission projects; CUB supported.
- 2013 Act 25 (AB 106 & SB 103), customer data privacy for customers of municipal utilities; CUB supported.
- 2013 Act 20 (budget), section 157, change in allocation of public benefit funds with \$8 million shifted from weatherization to heating assistance; CUB opposed.
- 2013 Act 28 (AB 214 and SB 194), changes to ex parte communications to allow parties to communicate with PSC executive assistants; CUB opposed.

## Regulatory Cases

### 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 will 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 intervened in the case to make sure retrofitting the plant is in the best interest of ratepayers.

The PSC approved the installation of pollution controls on May 2, 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 Mid-continent Independent System Operator, which has determined preliminarily that improvements to the transmission system costing about \$41 million must be made before the plant can be shut down. MISO will likely approve these projects in the fall of 2013. CUB will continue to follow this case at MISO and the PSC.

### Alliant Energy, Riverside Hot Gas Path, 6680-CE-175

On May 9, 2013, Alliant Energy filed an application with the Public Service Commission for permission to conduct a \$19.5 million inspection and refurbishment of the Riverside Energy Center, a natural gas-fired "combined cycle" generating plant of 600 megawatts capacity located near Beloit. Alliant purchased the power plant in 2012 for \$393 million.

CUB intervened in this case to make sure the inspection was needed and that the cost was reasonable.

On August 22, 2013, the administrator of the gas and energy division at the PSC approved the project.

### Alliant Energy, Shared Savings Program, 6680-GF-128

On June 28, 2013, Alliant Energy filed a request with the Public Service Commission for approval of the con-

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CUB – fighting  
the utilities,  
fighting for you!

## Program Updates

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tinuation of the “Shared Savings” energy efficiency program, which provides commercial and industrial customers with low-cost financing to make their facilities more energy efficient. Alliant has offered this program since 1987.

As background, Alliant makes money on the financing given to commercial and industrial customers by having ratepayers pay for the difference between Alliant’s authorized rate of profit, currently 11.3 percent, and the fees paid by the customers who receive the financing, currently about 1.7 percent. In other words, customers participating in the program get financing from Alliant at 1.7 percent interest, while ratepayers pay 9.6 percent interest to Alliant for the financing given to Shared Savings customers.

CUB has intervened in the case, and has submitted comments to the PSC noting our concerns with the program. First, residential customers are not eligible for the program, yet they pay for some of the costs of the program. Second, Alliant is supposed to provide an analysis of the program’s “return on equity components ... and cost allocations” between eligible and non-eligible customers, but Alliant hasn’t submitted an analysis. CUB has also raised concerns about some of the assumptions Alliant has used to justify the cost-effectiveness of the program. CUB believes the program should not be approved until these issues are addressed.

The PSC will likely make a decision on this case by the end of 2013.

### **American Transmission Company, “Bay-Lake” Transmission Lines, 137-CE-166**

In November 2011, American Transmission Company announced to MISO 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 have run from Green Bay to Marquette, and from Wausau to Marquette, with the latter line slicing through the Chequamegon-Nicolet National Forest, at an estimated cost of \$2 billion.

During the spring of 2012, CUB, the Environmental Law & Policy Center, and other groups provided several rounds of comments to MISO, stating our concerns 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, now called the “Bay-Lake” project, would cost between \$273 million and \$409 million. In opposing the larger project, CUB helped save Wisconsin electricity customers at least \$600 million in future electricity costs.

ATC will likely file an application with the PSC to build the Bay-Lake lines in early 2014. CUB will continue to follow this case at MISO and the PSC to investigate whether the lines are needed for Wisconsin ratepayers and, if they are not, to argue that Wisconsin ratepayers should not pay for the costs.

### **Madison Gas & Electric, Rates for 2014, 3270-UR-119**

On April 15, 2013, Madison Gas & Electric applied with the Public Service Commission to freeze 2014 electric and natural gas rates at 2013 levels.

This is the first time in fifteen years that MGE has not requested a rate increase. MGE’s electric rates have more than doubled since 1996, rising on average 6 percent per year, much faster than the rate of inflation.

CUB, the Wisconsin Industrial Energy Group, and Airgas Mer-

chant Gases submitted a joint brief in this case, offering qualified support for MGE’s plan to freeze rates.

The PSC decided the case on July 11, 2013, freezing MGE’s electric and gas rates for 2014.

### **Milwaukee Water Works, Economic Development Rates, 3720-WI-102**

On February 3, 2011, the Public Service Commission approved an “economic development rate” for Milwaukee Water Works, the water utility that serves the Milwaukee area.

The economic development rate allowed the Water Works to provide special discounts on water service to companies that either expand their Milwaukee businesses or move from out-of-state to Milwaukee.

CUB has long opposed economic development rates, or EDRs, because they often force residential and small business utility customers to pay higher rates to cover the discounts and subsidies given to large customers.

Because no entity had subscribed to the EDR by the spring of 2012, the PSC ordered changes to the EDR on July 19, 2012. However, the City of Milwaukee was not informed of these proposed changes, and filed a lawsuit against the PSC to stop the changes in September 2012.

On December 14, 2012, the PSC issued an order rescinding (removing) the changes to the EDR it made in July. The PSC also agreed to hold a hearing on the issues, and the hearing was held on March 20, 2013. The only evidence on the record was from the Water Works, which supported stopping the EDR because it wasn’t needed and was increasing administrative costs for the Water Works.

The large business lobby, represented by the Metropolitan Mil-

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waukee Association of Commerce, the Wisconsin Industrial Energy Group, and Wisconsin Manufacturers and Commerce, filed a legal brief in support of the EDR on April 29, 2013. However, CUB, the Water Works, and Clean Wisconsin objected to the brief filed by the large businesses because they were not a party to the proceeding, and were attempting to inappropriately add evidence to the record.

In a decision issued on May 22, 2013, an administrative law judge for the Public Service Commission agreed with CUB, the Water Works, and Clean Wisconsin and forced the large businesses to greatly scale back their legal brief. With that, the record of the case contained support only for stopping the EDR.

Finally, on July 23, 2013, the PSC issued an order that allowed the EDR to expire on the same date.

### **Public Service Commission, Fuel Reconciliation and Fuel Cost Plans for Electric Utilities, Various Dockets**

Annually, Wisconsin's major electric utilities submit "fuel cost plans" to the Public Service Commission. These plans show the amount and cost of fuel that will be purchased for making electricity in the coming year.

After the year is completed, fuel costs go through a "reconciliation" process: the utilities determine how much they actually spent on fuel, and compare this with the estimate in the fuel cost plan. If the utility spent more on fuel than estimated (outside of a 2% "deadband"), electric rates are increased to make the utility whole. If the utility spent less on fuel than estimated (outside of the deadband), utilities provide refunds to customers.

CUB reviews utility fuel cost plans and reconciliations annually to make sure utilities are providing reasonable estimates of fuel costs, and making prudent expenditures on fuel.

### **Public Service Commission, Quadrennial Planning Process II for Focus on Energy, 5-FE-100**

On July 3, 2013, the Public Service Commission opened an investigation to evaluate all the energy efficiency and renewable energy programs offered by Focus on Energy and the utilities, and determine appropriate goals, priorities, and measurable targets for the programs. Known as the "quadrennial planning process," the PSC is conducting such an investigation in preparation for the 2015-2018 four-year period for Focus on Energy.

The PSC requested comments on the scope of the investigation by August 2, 2013, and CUB and other organizations responded. After reviewing the comments, PSC staff will prepare a memo to be issued in the 1<sup>st</sup> quarter of 2014 that summarizes the issues and outlines options regarding goals for the programs. Intervenors will be able to offer comments on the staff memo, and then the PSC will decide the goals for the programs by July 2014.

### **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. WPS estimated that the ReACT pollution control system would cost about \$300 million. The technology would prima-

rily 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 was an appropriate control technology.

The PSC decided this case on March 20, 2013, and approved the installation of the pollution controls on Weston Unit 3. The PSC agreed with CUB and required WPS to construct the controls with a five percent collar for cost-overruns, rather than the 10 percent collar typical of utility construction projects. The PSC also agreed with CUB and required WPS to report any cost overruns above five percent associated with the purchase of activated coke pellets that adsorb pollutants, and for the costs of their disposal, as well as the disposal of sulfuric acid byproducts from the pollution controls, all to reduce cost risk to ratepayers.

### **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 above-ground lines can be knocked down by storms and accidents.

CUB intervened in this case to examine whether the costs of the project were reasonable in comparison to the expected benefit.

On June 27, 2013, the PSC conditionally approved WPS's project. As a condition of approval, the PSC agreed with CUB that the project should be re-evaluated in two years and will have WPS issue periodic reports about the cost and success of the project.



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## Board of Directors Election Results

A special thank you to all CUB members who cast ballots for the recent election of directors to the CUB Board.

We are pleased to announce that Don Wichert has been re-elected to the CUB Board. Don has worked professionally in the environmental and energy fields for over 30 years. Mostly recently Don was interim executive director for RENEW Wisconsin, a statewide renewable energy advocacy organization with headquarters in Madison. Previously Don was with the Wisconsin Division of Energy for 22 years, much of it as Chief of the Energy Resources Section. He also was employed by the Wisconsin Energy Conservation Corporation for eight years as director of renewable energy programs, including six years directing the Focus on Energy-Renewable Energy Program.

Each summer, several seats on the CUB Board are open for election. If you know an individual who would make a good candidate for the Board, please contact CUB Executive Director Charlie Higley at [higley@wiscub.org](mailto:higley@wiscub.org), or 608-251-3322 x. 14.

## From the Executive Director

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him well on his new endeavor!

I'll also be leaving CUB by January 2014 with CUB's legal counsel Kira Loehr becoming executive director upon my departure. Research director Dennis Dums and communications & outreach manager Rich Storck will continue their long good service to CUB.

I've had the great pleasure of serving you for the past 10 years. During my tenure, CUB has helped save utility customers over \$2.6 billion by intervening in over 100 utility proceedings at the Public Service Commission. We successfully supported Focus on Energy, Wisconsin's statewide energy efficiency and renewable energy program, which has helped save over \$2 billion on energy bills since 2001.

I'd like to thank CUB's members and the organizations that have provided CUB with grants for your support—we couldn't have done it without you!

