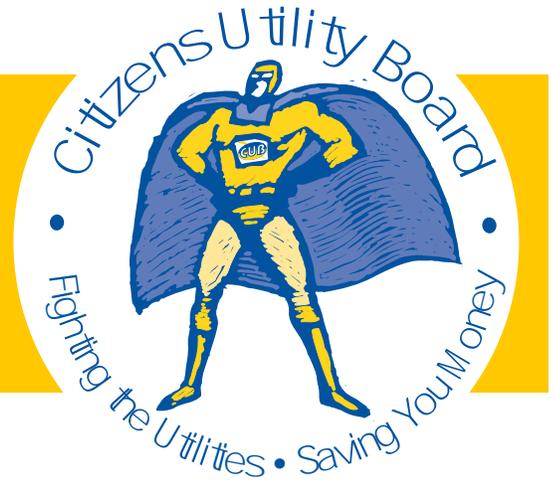


CUB Reporter

Citizens Utility Board Newsletter • FALL 2010



CUB Sues PSC Regarding Subsidies for Industrial Customers

On July 2, 2010, CUB filed a lawsuit against the Public Service Commission for authorizing “economic development rates” for Wisconsin Power & Light. WPL applied with the PSC on November 13, 2009 for permission to offer an economic development rate that would provide certain large industrial customers with discounts on electricity service. The PSC issued an order approving this rate on June 4, 2010.

CUB has long been opposed to rates with discounts, because they usually force other customers to pay for the discount. The laws that regulate utility service in Wisconsin prohibit utilities from charging rates that provide discounts to one customer that are subsidized by other customers. CUB noted many of these concerns in correspondence to the PSC dated February 17 and March 16, 2010, and in its lawsuit.

Although PSC Chairperson Eric Callisto and Commissioner Mark Meyer approved the discounted rates, Commissioner Lauren Azar voted against them, noting that subsidies for certain industrial customers may cause higher rates for residential and commercial customers. Commissioner Azar also issued a dissenting opinion on June 25, 2010, in which she called the rate “essentially a giveaway to businesses.”

CUB filed this lawsuit to protect residential customers from subsidizing large, politically powerful companies. The job of the PSC is to set electric rates that are fair, just, and reasonable, and the eco-

nomie development rate approved by the PSC violates these legal principles.

As of September 2010 this case remains before the Dane County Circuit Court.

Utilities Seek to Increase Electric Rates

Wisconsin’s major electric utilities are asking to increase electric rates starting January 1, 2011.

Alliant Energy, also known as Wisconsin Power & Light, wants \$35.4 million – 3.6% – for its Bent Tree wind farm in Minnesota and deferred expenses.

We Energies, also known as Wisconsin Electric Power Company, wants \$60.5 million – 2.8% – for a ‘surcharge’ on increased fuel costs (this surcharge may become permanent).

Madison Gas & Electric wants to raise rates \$32.8 million – 9.4% – to pay for its share of the new coal-fired power plant in Oak Creek, declining sales of electricity, and transmission costs.

Wisconsin Public Service Corp. wants \$64.2 million – 6.9% – because of decreased sales and to account for problems at its new Weston 4 power plant.

Xcel Energy, also known as Northern States Power, wants \$29 million – 5.4% – for wind farms in Minnesota, equipment upgrades for its Prairie Island and

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From the Executive Director

The year 2010 is shaping up to be a strange year for utility policy.

In the first part of the year, the Legislature worked on the Clean Energy Jobs Act, which would have enacted many of the recommendations of Governor Jim Doyle's Task Force on Global Warming.

The primary recommendations from the task force included making larger investments in energy efficiency, which can reduce the monthly energy bills of homes and businesses while at the same time reducing pollution from power plants. Another recommendation was to increase the amount of our energy that comes from renewable energy sources, which typically don't create global warming pollution, and can also create new jobs.

Despite similar legislation passing in neighboring states in recent years, the Clean Energy Jobs Act failed to come up for votes by the Assembly and the Senate. Though studies showed that investments in energy efficiency and renewable energy that would have been required by the legislation would have created jobs and reduced utility rates when compared to a business-as-usual dependence on fossil fuels for making electricity, the business lobby led by Wisconsin Manufacturers and Commerce promoted bogus studies showing incorrectly that the legislation would be too costly. The legislation died when the Legislature adjourned on April 22, 2010.

Just two days earlier, on April 20, 2010, the Deepwater Horizon oil rig exploded in the Gulf of Mexico, killing 11 workers and causing one of



the largest oil spills in global history. How ironic that a bill to reduce Wisconsin's dependence on fossil fuels was floundering at the same instant when oil rig workers were killed and billions of gallons of oil were ultimately spilled into the gulf, causing billions of dollars of damage to the region's economy.

As this newsletter explains, all is not lost for clean energy initiatives in Wisconsin. The Public Service Commission is considering increasing annual investments in energy efficiency. CUB is participating in this proceeding, docket 05-GF-191, urging the commission to greatly increase investments in energy efficiency.

In addition, CUB is participating in another docket, 05-EI-150, in which the PSC is exploring whether any coal-fired power plants owned by Wisconsin utilities should be mothballed or retired. CUB hopes to show how shutting down old coal plants could save ratepayers millions in rates, as well as reduce pollution from these old plants.

With some luck, energy policy in 2010 may end on a better note than it started on.

CUB Update 2010

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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Every year, CUB saves Wisconsin ratepayers millions of dollars – more than \$1.7 billion since 2005! Most of these savings come from our work in cases before the Public Service Commission (PSC). CUB also works for you in the state Legislature, promoting good public policies and stopping bad legislation. Occasionally, we take the PSC to court, to make sure the rights of ratepayers are protected.

Below are some updates on ongoing and recently completed rate cases, legislation, and court cases that CUB is working on for you.

Cases at the Public Service Commission

Madison Gas & Electric Co., Rates for 2011, Docket 3270-UR-117

On April 22, 2010, MGE filed an application with the PSC to increase electric rates by \$32.8 million (9.4%) and natural gas rates by \$4.4 million (2.1%), with the new rates to take effect in January 2011.

CUB will assess the reasonableness of the plans filed by MGE regarding: (1) splitting the current time-of-day pricing periods into additional pricing periods, along with MGE's plan to implement new pricing periods in 2011; and (2) bidding into the Midwest ISO energy market MGE's direct load control program and interruptible loads as price-sensitive loads.

In addition, MGE is proposing to increase the customer charge for residential service (Rg-1) from the current rate of \$8.70 per bill per month to \$9.50, an increase of 9.2%. Consistent with the PSC's approval of rate designs with smaller customer charges and higher energy charges, CUB will recommend to keep the customer charge at the current level, which will provide more appropriate price signals, and mitigate the overall bill impact on low-usage customers.

One of MGE's largest customers is the University of Wisconsin-Madison, which is the only customer taking

service on the Sp-3 rate. This rate may be modified in this proceeding.

If this rate is modified incorrectly, MGE's residential customers and others would pay for costs associated with the renovation and operation of the university's Charter Street power plant; the university is renovating this plant so that it burns biomass and natural gas instead of coal. Consulting firm Resource Insight has been hired by CUB to assess recommendations from PSC staff, the UW, and MGE regarding changes to the Sp-3 rate, and will argue that residential customers should not have to pay for costs that should be paid for by the UW.

Public Service Commission, Fuel Rules, Docket 1-AC-224

In February 2006, the commission requested comments from CUB, the utilities, and other stakeholders on whether the 'fuel rules' need to be changed given the volatility in natural gas prices.

New rules were drafted in 2008, but were not implemented due to legal concerns raised by CUB and the Wisconsin Industrial Energy Group. In early 2009, the utilities attempted to undermine these legal concerns through legislation. Ultimately CUB, WIEG, and others negotiated a compromise with the utilities that would allow the PSC to defer under- or over-collections of fuel costs for recovery or refund in the following year, while preserving a prohibition of automatic adjustment clauses. Legislation codifying this compromise, AB 600, was signed by Governor Doyle on May 18, 2010. After the passage of this legislation, CUB and others provided comments to the PSC regarding the rules drafted in 2008. On August 30, 2010, the PSC sent the revised rules to the Legislature for acceptance or possible modification.

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CUB Update 2010

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Public Service Commission, Quadrennial Planning Process for Energy Efficiency, Docket 05-GF-191

On October 23, 2009, the PSC opened this investigation in order to establish goals and funding levels for Focus on Energy, Wisconsin's statewide energy efficiency program. CUB is participating in this docket to make sure appropriate goals and funding are established to support Focus on Energy

and its energy efficiency programs. CUB submitted joint comments along with Clean Wisconsin and RENEW Wisconsin on November 23, 2009 and June 4, 2010 providing answers to questions posed by the PSC regarding policy issues affecting energy efficiency. The PSC has requested a final round of comments due September 15, 2010, after which the PSC will establish goals for energy efficiency, and funding for Focus

on Energy. If the PSC recommends an increase in the funding for Focus on Energy, the legislature's Joint Finance Committee will review the request.

Public Service Commission, Strategic Energy Assessment, Docket 05-ES-105

In the fall of 2010, the PSC will likely issue a draft of its latest assessment of Wisconsin's supply

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of electricity. CUB will submit comments on the draft, urging the PSC to re-establish a better energy planning process.

We Energies, Biomass Power Plant, Docket 6630-CE-305

On March 15, 2010, We Energies asked the PSC for permission to build and own a 50-megawatt cogeneration power plant that will burn wood and produce steam as well as electricity. Domtar Corporation, a paper company located near Wausau, will use the steam produced by the plant.

We Energies has proposed this project in part to comply with Wisconsin's "renewable portfolio standard," or RPS, which requires electric utilities to sell at least 10 percent renewable electricity by 2015.

CUB has intervened in the case and has hired La Capra Associates to prepare expert testimony. CUB will review and assess the economic inputs used by We Energies in its modeling of the proposed plant. CUB will also review the assumptions about the future supply of generating capacity and other new generating units included in various analyses. CUB will review projections of the operation and maintenance costs for the plant, and will review alternatives for meeting the renewable portfolio standard. In addition, CUB will review any financial models and underlying calculations to determine their reasonableness.

We Energies, Fuel Rules for 2010, Docket 6630-FR-102

On February 19, 2010, We Energies filed an application with the PSC to increase electric rates by \$60.5 million (2.8%) for increases in the cost of fuel to make electricity. The PSC approved an "interim surcharge" on March 24, 2010, with the surcharge subject to refund pending the PSC's full review, hearing, and final determination regarding We Energies' request.

CUB has intervened in the case and has hired La Capra Associates to prepare expert testimony. CUB will review and assess the changes, inputs, and assumptions used by We Energies in developing its new forecast of fuel costs for the remainder of 2010.

Wisconsin Power & Light (dba Alliant Energy), Rates for 2011, Docket 6680-UR-117

On April 30, 2010, WPL filed an application with the PSC to re-open the rate case proceeding held last year. WPL wants to increase electric rates by \$35.4 million (3.6%), with the new rates to take effect in January 2011.

According to WPL, costs causing an increase in rates include \$40.9 million for the 200-megawatt Bent Tree Wind Farm (located in Minnesota), and \$4.7 million for the amortization of deferred costs. New estimates for fuel costs in 2011 will lower rates

by \$10.3 million.

CUB has intervened in the case and will review the reasonableness of WPL's request. CUB will review the impacts on rates caused by the Bent Tree wind farm, the impact of the cost of fuel, and how the rate increase will be allocated to residential, commercial, and industrial customers.

Wisconsin Power & Light (dba Alliant Energy), Retrofit of Columbia 1 & 2, Docket 05-CE-138

On April 2, 2009, WPL and co-owners Madison Gas & Electric and Wisconsin Public Service Corp. applied for permission to add pollution controls at a cost of at least \$627 million to the Columbia power plant, located near Portage. Columbia consists of two, 500 megawatt coal-fired generators and was built in the early 1970s. CUB is intervening in this case along with Clean Wisconsin to make sure the retrofit costs are necessary at this time.

Wisconsin Public Service Corp., Energy Efficiency Pilots

In December 2008, the PSC approved an agreement between CUB and Wisconsin Public Service Corp. (WPS) that allows WPS to use revenue-per-customer decoupling for residential and commercial electric and gas customers. Along with decoupling, WPS agreed to double its payments to Wisconsin's statewide energy efficiency program called Focus on Energy. The ratepayers of WPS will provide Focus with an additional \$50 million between 2009 and 2012.

WPS also agreed to work with CUB and Focus on Energy to

As you are making your estate plans please keep CUB in mind.

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implement three community-based pilots to test enhanced energy efficiency programs and innovative rate options. The first pilot started in Brillion on October 1, 2009, and the other two pilots will start in 2010 and 2011. The pilots will conclude at the end of 2012.

Wisconsin Public Service Corp., Rates for 2011, Docket 6690-UR-120

On April 1, 2010, WPS filed an application with the PSC to increase electric rates by \$64.2 million (6.9%) and natural gas rates by \$5 million (1.2%).

CUB has intervened in the case and will review the effectiveness of the “rate decoupling mechanism” established through the agreement between CUB and WPS reached in 2008. CUB will also review the suggestions by WPS to modify the decoupling mechanism.

CUB will also explore the costs associated with the new Weston 4 power plant, which has experienced chronic boiler tube clogging problems.

Xcel Energy (aka Northern States Power-Wisconsin), Gasifier at Bayfront Power Plant, Docket 4220-CE-169

On February 23, 2009, Xcel filed an application to add a biomass gasifier to one of the units at the Bayfront facility near Ashland so that it can burn biogas instead of coal.

CUB intervened to make sure the cost of the project was reasonable. During the proceeding, CUB discovered a study written by a consultant hired by Xcel that concluded that the proposed project may not work at the size and scope envisioned. CUB brought these concerns to light in legal briefs

submitted to the PSC.

The PSC issued an approval for the project on December 22, 2009. Although the PSC determined that the project was technically feasible, the PSC agreed with CUB to limit the cost-overrun collar to 10 percent, rather than 20 percent sought by Xcel.

In addition, the PSC agreed with CUB and did not provide Xcel with a guarantee of cost recovery should cost overruns exceed 20 percent and the PSC orders Xcel to cease construction. These actions protected ratepayers from paying millions of dollars for cost overruns for a project that may not work.

In May 2010, Xcel informed the PSC that the cost of the proposed project has increased from \$58 million to \$79.5 million, and the utility is uncertain whether it will proceed with the project.

Legislative Activities

Funding to Represent Residential Ratepayers

Governor Jim Doyle signed AB 689 on May 18, 2010, creating 2009 Wisconsin Act 383, which increases the intervenor compensation fund from \$750,000 to \$1,050,000 and requires that the increase of \$300,000 be given to an organization “that has a history of advocating on behalf of residential ratepayers for affordable rates, for the purpose of offsetting the general expenses of the organization, including salary, benefit, rent, and utility expenses.”

During the summer of 2010, the PSC created a process by which organizations can apply for the funds made available by Act 383. CUB submitted an application for the funds on August 30, 2010. The PSC will decide which organiza-

tion receives the grant by September 30, 2010.

Clean Energy Jobs Act

Legislation to enact the recommendations of Governor Jim Doyle’s Task Force on Global Warming (on which CUB served) perished in April 2010 when the bills failed to come up for votes in the Senate and Assembly.

In July 2008, the task force recommended making larger investments in energy efficiency, and that Wisconsin utilities should generate 25 percent of their electricity from renewable resources by 2025. The task force also reached a compromise regarding modifications to the so-called nuclear moratorium, in which the moratorium’s requirement for the existence of a nuclear waste dump would be replaced by requirements that new nuclear plants in Wisconsin must meet Wisconsin’s need for electricity and sell the electricity to customers in Wisconsin.

The bills that comprised the Clean Energy Jobs Act (AB 689 and SB 450) were introduced in December 2009, but were severely weakened by a substitute amendment introduced on April 13, 2010, which undercut the carefully-constructed compromise on the nuclear moratorium. Opposition to the bill from Wisconsin Manufactures and Commerce and other business lobbies led to the demise of the legislation, which failed to come up for votes by the full Assembly and Senate.

Telephone Deregulation

CUB worked with an ad hoc coalition of telecom companies, unions, and small business associations to stop AB 696 and SB 469,

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CUB Board of Directors Election Results

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

We are pleased to announce that Don Wichert of Madison was re-elected to another 3-year term on the CUB Board. Don has served on the CUB Board since 2004, and is the director of renewable energy programs at the Wisconsin Energy Conservation Corporation.

Rodney Stevenson was also re-elected to another 3-year term. Rodney has served on the CUB Board since 2004, and is professor of business and environmental studies at the University of Wisconsin-Madison.

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, and who sup-

ports CUB's mission that ratepayers deserve a strong voice to ensure safe, reliable utility service at reasonable rates, please contact CUB Executive Director Charlie Higley at higley@wiscub.org, or mail to:

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CUB Update 2010

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which would have deregulated landline telephone service. The bills were largely written by AT&T, and would have eliminated almost all remaining regulations for landline service, including requirements that phone companies charge fair rates, maintain their facilities, and provide service to customers willing to pay.

Though AB 696 passed the Assembly, the legislation died when the Senate declined to take up the bill before adjourning on April 22, 2010.

Court Cases

Economic Development Rates

On July 2, 2010, CUB filed a lawsuit against the Public Service Commission for authorizing "economic development rates" for Wis-

consin Power & Light. Please see the article on the front page.

Bent Tree Wind Farm

On August 28, 2009, CUB and the Wisconsin Industrial Energy Group filed a lawsuit against the PSC for ignoring state law in approving a 200-megawatt wind power project to be built in Minnesota, owned by Wisconsin Power & Light, and paid for by WPL's Wisconsin customers.

CUB and WIEG contend that the PSC should have reviewed the 200 MW project for a "certificate of public convenience and necessity," or CPCN, which requires a more thorough review than projects reviewed for a "certificate of authority," or CA.

In filing the lawsuit, WIEG and

CUB contend that the PSC ignored Wisconsin law, which states that a utility cannot build a power plant of 100 megawatts or more unless the utility has received a CPCN.

This case is of statewide importance because significantly less review by the PSC is required in granting a CA, and customer groups like CUB and WIEG may have no opportunity to provide testimony and legal opinions regarding a proposed project's appropriateness for providing Wisconsin consumers with electricity at reasonable prices.

As of September 2010 this case remains before the Dane County Circuit Court.

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Utilities Seek to Increase Electric Rates

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Monticello nuclear plants, and for higher fossil fuel costs.

Since 1997, residential electric rates for these utilities have increased much faster than the rate of inflation of 34%... some nearly 3-times the rate: Alliant/WP&L up 75%, We Energies/WEPCO up 76%, MG&E up 84%, WPS up 98%, and Xcel Energy/NSP up 58%. Because electric rates have increased faster than inflation, they are taking a bigger bite of your household budget.

As we have done for over 30 years, CUB is fighting these rate increases by intervening in the cases the utilities are bringing to the PSC. This newsletter includes updates on these cases, and the steps CUB is taking to reduce these rate increases.

You can tell the PSC directly what these continual electric rate increases mean to you and your family. You can easily 'submit comments' on the rate case that affects your household using the online 'Public Comments' feature on the PSC website. Here are the steps:

- 1) Go to the PSC website: <http://psc.wi.gov/> and click on 'Public Comments'.
- 2) Scroll down until you find your utilities' request for a rate increase. The 'docket' name and comment deadlines are:
 - "Alliant-Wisconsin Power and Light Company Reopener," comment deadline: October 31, 2010.
 - "Madison Gas and Electric Rate Increase," comment deadline: October 20, 2010.
 - "Wisconsin Electric Power Company Fuel Increase," comment deadline: October 30, 2010.
 - "Wisconsin Public Service Corporation Rate Case," comment period closed on September 30, 2010.
 - "Xcel – Northern States Power Company-Wisconsin Reopener rate case," comment deadline: November 10, 2010.
- 3) Then click on 'File a Comment' and enter your concerns.