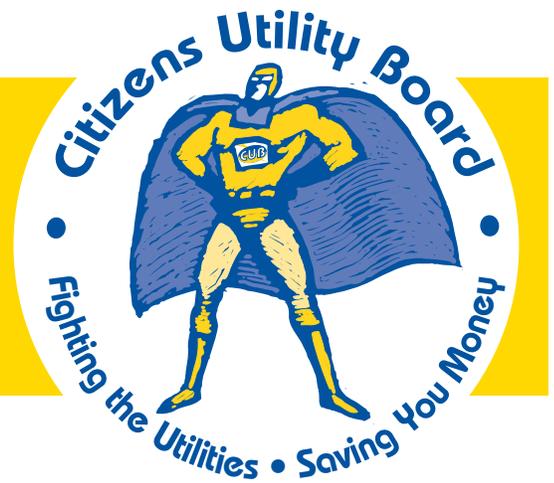


CUB Reporter

Citizens Utility Board Newsletter • SPRING 2008



CUB Saves Ratepayers \$126 Million in 2007

During 2007, three utilities sought to increase electric rates for 2008 by nearly \$800 million. CUB fought back, and was able to convince the Public Service Commission to reduce these rate increases by more than \$126 million.

Once again, CUB was able to save ratepayers more than \$1000 for every dollar spent by CUB in fighting for reasonable utility rates. Generous contributions from you, our members, help save money for nearly *everyone* in Wisconsin.

When utilities want to raise rates, they need to get permission from the Public Service Commission (PSC), which regulates electric, gas, water, and telephone rates for most of Wisconsin's residents and businesses. The PSC conducts a "rate case," and reviews the request by the utility to raise rates. Utility rate cases take months to wind their way through the process. PSC staff and experts hired by CUB and other groups pour through the many documents submitted by the utilities to justify their rate increases. CUB expert witnesses and attorneys submit testimony and legal briefs pointing out ways the PSC can reduce the utilities' rate requests.

Though electric rates still went up for 2008, the hard work by CUB's staff and hired experts, as well as good decisions by the Public Service Commission, reduced the rate increases by at least \$126 million.

Below are summaries of our work in the rate cases for We Energies, Xcel Energy, and Madison Gas & Electric.

CUB Saves We Energies' Ratepayers \$106 Million

In the spring of 2007, We Energies applied for permission from the PSC to increase electric rates for 2008 by \$712 million or 28 percent, the largest single-year

increase in the utility's history.

On December 20, 2007, the PSC issued its decision: starting in January 2008, electric rates would only increase by 3.4 percent. Rates will also increase another 3.5 percent in January 2009.

CUB provided testimony to the PSC on many aspects of the rate hike sought by We Energies.

The PSC agreed with CUB that We Energies should not be allowed to charge ratepayers for \$22 million-worth of electricity it had to buy in 2005 while making repairs to the Point Beach Nuclear Power Plant. CUB provided evidence showing that We Energies failed to comply with regulatory requirements in a timely manner and violated federal regulations, forcing the plant to remain shut down for nearly two extra months.

CUB argued that We Energies should not be allowed to keep \$70 million in proceeds from the sale of the Point Beach Nuclear Power Plant, which was sold to FPL Energy in the late summer of 2007. The PSC agreed with CUB and ordered We Energies to return this money to ratepayers, a savings of \$70 million.

The PSC also agreed with CUB and reduced the level of profit sought by We Energies, which saved ratepayers \$14 million. CUB has been urging the PSC to reduce utility profits for many years, and thankfully, the PSC has been reducing utility profits for the past three years, although they still remain higher than utility profits in other states.

CUB Saves Xcel Ratepayers \$18 million

In June 2007, Xcel Energy (also known as Northern States Power) applied to the Public Service Commission for permission to raise 2008 electric rates by \$67 million, or 14 percent.

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•
www.wiscub.org
608.251-3322
Staff@wiscub.org



From the Executive Director

I'm happy to report to you that CUB was able to save Wisconsin ratepayers more than \$126 million on their electric bills in 2007.

Three utilities sought permission from the Public Service Commission to raise their rates for 2008. As the front page article describes, CUB's experts were able to make the case to keep rates lower. Thankfully, the Commission agreed with CUB, which will save \$126 million on electric bills.

For 2008, CUB is already busy working to stop Alliant Energy from building a new coal-fired power plant at the Nelson Dewey site in Southwest, Wisconsin. Since coal plants emit millions of tons of global warming pollutants each year, adding another coal burner will make a bad problem worse. Instead of coal, we're fighting to make sure Alliant Energy invests in energy efficiency, wind power, and other renewable technologies.

We'll be involved in the "rate cases" for Alliant Energy and Wisconsin Public Service Corp., which are requesting to raise electric rates for their customers starting in 2009.

CUB is part of Governor Jim Doyle's Task Force on Global Warming, which will provide the governor



with recommendations on ways to reduce global warming pollution and strengthen the economy.

The Commission will be investigating whether the regulations that guide the telephone industry should be changed. CUB will be participating in this investigation to argue for increasing consumer protections in an era of rapidly rising rates for phone service.

I'd like to thank all of our members for your generous contributions to CUB. Your support allows us to participate in the many energy and telecom issues that are impacting Wisconsin households every day. Your support is helping us save ratepayers hundreds of millions on their energy and telephone bills every year.

CUB Launches Sustainer Program

This spring, CUB is launching a new "Sustainer" program. This program offers CUB members the opportunity to pledge a monthly or quarterly donation to CUB. There are three methods donors can choose: EFT (electronic funds transfer), a recurring

donation through our website www.wiscub.org, or in response to notices mailed from our office. Watch for Sustainer notices in CUB mailings or contact Rich in the CUB office at 608-251-3322 ext. 10 or email Rich at: staff@wiscub.org.

CUB Legislative Victories

In 2007, CUB launched two major legislative campaigns and, with the help of our membership, had victories in both. You may recall receiving CUB mailings on the attempt by some politicians to remove the safe guards against the construction of costly and polluting nuclear power plants and the attempt by some phone utilities to remove all remaining regulations protecting basic phone service. Thanks in part to the pressure CUB members put on their state legislators, CUB was able to defeat both legislative initiatives.

Here are the legislative victories you helped win.

Wisconsin Safe from More Nuclear Power

With support from our members, CUB successfully defended Wisconsin from more nuclear power plants.

AB 346, introduced last year, would have repealed Wisconsin's so-called "nuclear moratorium" law, Wis. Stat. 196.493.

The Wisconsin Legislature concluded its regular business on March 13 without repealing the nuclear moratorium.

The nuclear moratorium law doesn't ban the construction of nuclear plants. It simply requires that several criteria be met before the Public Service Commission can authorize the construction of a nuclear plant. Two of the most important criteria are that:

- a waste repository is available for radioactive waste created by Wisconsin reactors, and;
- a nuclear plant is economically advantageous to ratepayers in comparison to alternatives.

CUB believes that unless nuclear power can pass these simple requirements, nuclear power plants should not be built in Wisconsin.

We'd like to thank CUB members who took action and asked their legislators to oppose AB 346. Your voice made a great difference.

Telephone Deregulation on Hold

The Wisconsin Legislature concluded its regular business on March 13 without passing legislation that would have deregulated local phone service.

AB 561 and SB 285 were introduced last year, which would have gutted the laws that

regulate local phone service. Had these bills passed, local phone companies could have charged customers using "plain old phone service" any price they wanted.

In response to this legislative activity, the Public Service Commission has opened an investigation to determine whether Wisconsin's telephone regulations should be changed. CUB will be participating in this investigation, which will likely conclude by the end of 2008. We'll be asking the Commission "can you hear us now?" as we make the case that consumers still need protection from price gouging and poor service from telephone companies.

CUB Priorities for 2008

CUB's work in rate cases before the Public Service Commission saves Wisconsin ratepayers millions of dollars every year - \$299 million since 2005. Some of CUB's other campaigns result in additional benefits that don't show up in monthly utility bills, but are still vital to our health, economy and the Wisconsin quality of life we enjoy.

The coming year promises to be as issue-packed and busy as last year. Some of CUB's program priorities for 2008 include:

Stop the Nelson Dewey Power Plant. Alliant Energy wants to build a new 300 megawatt coal-fired power plant on the shore of the Mississippi River near Cassville. CUB opposes this

plant because it would drive up utility bills and more than double the global warming pollutants produced each year from the site.

Shut Down Old Coal Plants and Save Ratepayers \$100 Million and Eliminate 50 Million Tons of Global Warming Pollutants. Because of federal Clean Air act violations We Energies needs to add equipment to reduce pollution at four old coal-fired power plants located at the Oak Creek site south of Milwaukee. The equipment would cost \$830 million. Although CUB wants to reduce power plant pollution, we're urging the Public Service Commission to reject We Ener-

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CUB'S 2008 PSC Cases

Citizens Utility Board

(CUB) is a state-wide membership organization incorporated under state and federal laws regulating non-profit groups.

The purpose of the organization is to:

1. ensure effective and democratic representation of residential, farm and small business utility customers before regulatory agencies;
2. ensure effective and democratic representation of residential, farm and small business utility customers before the legislature and other public bodies; and
3. provide education on utility service costs and on the benefits and methods of energy conservation for consumers.

Citizens Utility Board

16 N. Carroll St., Suite 530
Madison, WI 53703

•
608.251.3322
608.251.7609 fax
800.657.4727

•
www.wiscub.org
staff@wiscub.org



In addition to the PSC Cases mentioned in other articles in this newsletter, CUB will be working on several other important cases in 2008.

Utility Ratemaking Approaches that Promote Conservation and Efficiency Programs (5-UI-114)

CUB will be investigating ways for Wisconsin utilities to increase their commitment to energy conservation and efficiency through their rate structures.

Adoption and Achievement of Increased Conservation and Energy Efficiency Goals (5-UI-115)

CUB will be investigating ways for Wisconsin utilities to set higher goals for their energy conservation and efficiency programs and to establish methods for evaluating their performance.

Review the 18 Percent Planning Reserve Margin Requirement (5-EI-141)

CUB is investigating the current requirement for Wisconsin electric utilities of an 18% planning reserve margin. CUB will advocate for an electric reserve margin of 15% which, if adopted by the PSC, would significantly reduce ratepayer costs.

Electric Rate Design and Load Management Options which have the Potential to Reduce Emissions of Greenhouse Gases (5-EI-143)

CUB will be participating in a review of rate design and load management options as possible ways to reduce the production of greenhouse gases by Wisconsin utilities.

Wisconsin's Potential for the Development of Wind Energy Resources

in Lake Michigan and Lake Superior (5-EI-144)

CUB will be participating in an investigation of the potential for development of wind energy production in Lakes Michigan and Superior.

Strategic Energy Assessment for the years 2006 through 2014 (5-ES-104)

CUB will be participating in Wisconsin's Strategic Energy Assessment for the years 2006 through 2014 to gauge the reliability of the State's energy generation and transmission system and to identify ways to reduce rates and pollution from energy use.

Geologic Carbon Sequestration for Carbon Dioxide (5-EI-145)

CUB will be participating in the investigation of using geologic carbon sequestration for carbon dioxide as an option to help reduce global warming pollution.

Wisconsin Power and Light Company (WPL) 2009/2010 rate case (6680-UR-116)

WP&L has requested a rate increase of \$144 million. CUB will review the accuracy of WPL's fuel cost projections and investigate new mechanisms to increase energy conservation in order to reduce customer bills and power plant emissions, including green house gases.

Revisions to Rules on Electric Rate Changes Due to the Cost of Fuel (1-AC-224)

The PSC has opened a case to review the rules on changes to electric rates based on changes of the cost of fuels. CUB is fighting a utility proposal that will cause electric rates to increase unnecessarily.

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CUB Saves Ratepayers \$126 Million in 2007

continued from front cover

The PSC decided Xcel's rate hike in early January 2008, and raised 2008 electric rates by \$39 million, or 8 percent. The smaller-than-asked-for increase meant customers saved about \$12 million.

Given the huge increase sought by Xcel, CUB urged the utility and the PSC to adopt rate design options that would allow residential customers to better control their electricity usage and bills while also reducing costs for the utility.

CUB testified that customers should receive value from Xcel's proposed installation of "automated meters," which can be read by a computer instead of by a person. Unlike traditional meters, automated meters can provide information to customers regarding the electricity they are using, and how much it costs. With this information, customers can change their usage and lower their utility bills.

Though the PSC decided that Xcel could install the automated meters, Xcel must work with CUB's experts to develop options so that customers can reduce their electricity use and lower their bills.

CUB objected to an increase in the monthly electric "customer charge" from \$8 to \$10, and the PSC agreed with us. The PSC's decision saved residential ratepayers \$4.5 million.

We also raised concerns about the profits that Xcel wanted to collect from customers. The PSC reduced Xcel's profits to 10.75 percent, which saved customers about \$1.6 million.

CUB Saves MGE Ratepayers \$2.4 Million

In May 2007, MGE applied to the Public Service Commission for an electric rate increase starting in January 2008 of almost \$20 million, or about 6 percent.

In mid-December 2007, the PSC issued its order approving an electric rate increase of \$16 million (almost 5 percent) for rates that took effect in January.

CUB challenged MGE's request to increase rates. We argued that MGE should develop new rate options that would allow customers to better control their electricity usage and costs while also reducing the cost drivers for the utility.

CUB's investigation showed that MGE's current standard "flat rate" for residential customers was discriminatory and failed to provide the proper price signals to customers concerning the cost

CUB Priorities for 2008

continued from page 3

gies' request and go back to the drawing board. CUB's expert analysis shows that it makes more sense to shut down the two oldest plants and install pollution equipment on the other two, which would reduce the cost of the project by \$100 million.

Strengthen Wisconsin's "Focus on Energy" Program. As a recommendation from the Governor's Task Force on Global Warming, CUB will be urging the Public Service Commission to increase the funding for Focus on Energy, which provides energy efficiency services for homes and businesses throughout Wisconsin.

Rate Increases. Alliant Energy

of using electricity at different times of the day. CUB also raised concerns about the design of MGE's voluntary "time-of-use" rates.

In its December order, the PSC directed MGE to work with CUB to investigate innovative residential rate options that would promote energy conservation.

CUB raised concerns that, under MGE's proposal, residential customers would pay \$11 million more than their fair share of utility costs, while commercial and industrial customers would pay less. The PSC agreed with CUB and reduced the size of the rate increase for all residential customers by \$1.4 million.

CUB also asked the PSC to reduce MGE's profits, and the PSC agreed; utility profits were reduced by about \$1 million.

and Wisconsin Public Service Corp. want to increase your electric rates starting in January 2009. We'll be at the PSC fighting to reduce these rate increases.

We will bring you updates and action alerts on these, and other issues as they heat up in the coming year.

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CUB will be at MREA Fair

Please stop by CUB's booth at the MREA fair (June 20/22, Custer, Wisconsin). Meet CUB board members and discuss CUB issues and priorities!

Save the Date – CUB Annual Meeting

CUB will be holding its 2008 Annual Meeting at 5:00 pm on July 18 Training Rooms A&B on the first floor in the offices of Wisconsin Energy Conservation Corporation, 431 Charmany Drive, Madison, Wisconsin (for directions go to http://www.weccusa.org/contact_us.html). All current members of CUB are invited to participate. More information about the meeting will be sent to you shortly.

2008 PSC Cases

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American Transmission Company (ATC), Rockdale-West Middleton Transmission Line Project (137-CE-147)

This case covers the proposed construction of a new 345 kV transmission line by ATC from Rockdale to West Middleton. CUB will review the reasonableness of the cost projections for the project.

Wisconsin Public Service Corp. (WPS) 2009/2010 rate case (6690-UR-119)

WPS will be requesting to increase rates for 2009 and 2010. CUB will likely review the reasonableness of WPS's request, and investigate rate designs to promote energy conservation to reduce customer bills and environmental pollution.

