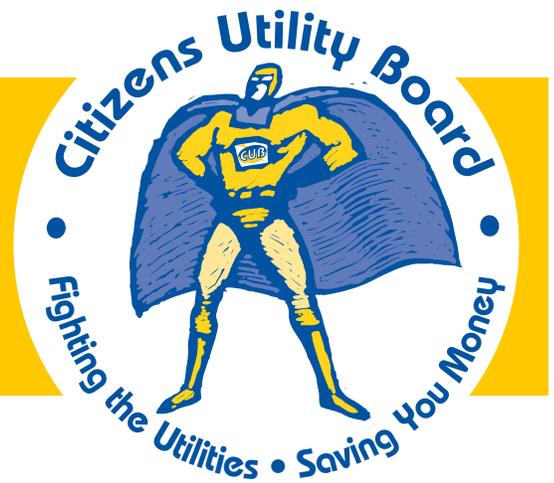


CUB Reporter

Citizens Utility Board Newsletter • SPRING 2011



CUB Saved Ratepayers \$82 Million in 2010

During 2010, CUB intervened on your behalf in several cases at the Public Service Commission in which utilities were seeking rate hikes or permission to build new power plants. We were successful in rolling back these requests, saving you \$82 million on your electricity bills.

The hard work by CUB's staff and hired experts, plus good decisions by the PSC, made these results possible. These cases are described below; the numbers in parentheses are the "docket" numbers that identify the case at the PSC. You can view all the documents, including CUB's expert testimony and legal briefs, submitted in each case by entering the docket number on the PSC's website, <http://psc.wi.gov/>

Xcel Energy, Gasifier at Bayfront Power Plant (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 could 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 also unearthed information indicating that Xcel had underestimated the cost for the project. CUB brought these concerns to light in legal briefs submitted to the PSC.

The PSC approved 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 the project cost more than the approved amount or should it not function properly. 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 had increased from \$58 million to \$79.5 million. The utility canceled the project in November 2010 due to these higher than expected costs. CUB saved ratepayers more than \$58 million on this too-expensive project.

Wisconsin Power & Light, Rates for 2011 (6680-UR-117)

On April 30, 2010, WPL filed an application with the PSC to re-open the rate case proceeding held in 2009. WPL requested increasing electric rates by \$35.4 million (3.6%), with the new rates to take effect in January 2011.

CUB intervened in the case and challenged the intent by WPL to charge ratepayers for its Bent Tree wind farm, a 200 megawatt facility in Minnesota. As this proceeding was winding through the PSC, CUB and the Wisconsin Industrial Energy Group discovered that WPL had been hiding the fact Bent Tree would not be able to deliver power to Wisconsin customers because of congested transmission lines. WPL then used inappropriate legal tactics to try to keep CUB and WIEG from bringing this information forward. CUB and WIEG fought to have their case heard and urged the PSC to prevent WPL from raising its rates to recover all of the costs for its Bent Tree wind farm.

In its decision on November 11, 2010, the PSC approved an electric rate increase of \$8.2 million, or 0.8 percent. The PSC agreed with CUB and WIEG that WPL should be penalized for hiding the information about transmission congestion and refused to allow WPL to collect \$3.2 million for Bent Tree costs from ratepayers. The PSC also noted that the utility inappropriately withheld information regarding the

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From the Executive Director

CUB was able to bring 2010 to a close by saving Wisconsin ratepayers \$82 million.

CUB was able to save money for ratepayers of Madison Gas & Electric, Wisconsin Public Service Corp. and Xcel Energy. This newsletter describes some of the work we did to win these savings for you.

Looking forward, CUB expects a busy year at the Legislature and the Public Service Commission.

We expect an attempt will be made to repeal Wisconsin's longstanding protection against nuclear power. This protection, often called the nuclear moratorium, requires that a proposed nuclear power plant be a good deal economically for consumers, and that there is a place in the U.S. to dispose of the radioactive waste.

New nuclear power plants can't meet these tests: plants proposed in Florida, Georgia, and South Carolina would cost over \$10 billion each, making them more expensive than just about any other way for making electricity.

Work has come to a halt at Yucca Mountain, Nevada, the location of a proposed disposal site for nuclear waste. President Obama has proposed to zero out the budget for Yucca, yet members of Congress want work building the dump to continue. There will be no safe place to dispose of nuclear waste in this country for decades, if ever.

Unfortunately, high costs and nuclear waste aren't stopping politicians and others who want to repeal Wisconsin's nuclear moratorium.

Another legislative battle looms over deregulation of landline telephone service in Wisconsin. This will be another attempt by AT&T to pass legislation that would enable it to charge higher rates and provide poorer service for some of the 1.5 million



households that still use landline telephone service. CUB will be fighting to preserve protections for people who prefer or have no alternative to landline service.

At the Public Service Commission, Governor Scott Walker will appoint a new commissioner, replacing Mark Meyer, whose term expired March 1. The new commissioner will also become chair, so he or she will have a huge influence on utility policy.

CUB will also participate in an important proceeding, in which the PSC will investigate cost-saving measures to address the state's surplus of power. Options include examining whether any coal-fired power plants operating in Wisconsin should be retired, which could save money for ratepayers and reduce tremendous amounts of pollution.

Another busy year awaits CUB, and I'd like to thank you for your support, which makes our work possible.

**CUB – fighting
the utilities,
fighting for you!**

CUB Priorities: 2011

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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Retire Coal-Fired Power Plants?

CUB is participating in a proceeding at the PSC, docket 05-EI-150, that will investigate whether any coal-fired power plants operating in Wisconsin could be retired.

Currently, Wisconsin has too many power plants. Since 2008, three large coal-fired power plants have come on-line, yet demand for electricity has actually dropped, primarily due to the recession.

In addition, Wisconsin has made investments in energy efficiency and renewable energy. These investments are paying off in energy savings and reduced dependence on coal.

Many of the coal plants running in Wisconsin no longer comply with environmental regulations, or will not be in compliance with stricter regulations that will be enacted in coming years. To continue running, these units will need expensive equipment to control pollution.

Instead of adding pollution controls, it may make more sense to retire the units; ratepayers wouldn't have to pay for the new equipment, or the plant's operating and maintenance costs. Shutting the plants down would also reduce tremendous amounts of pollution.

This investigation will likely conclude by the end of 2011.

Legislation: Protect Focus on Energy

In 2010, the Joint Committee on Finance approved new budgets for Focus on Energy, a public-private partnership that provides energy efficiency services to residents and businesses throughout Wisconsin. The approved budgets are \$120 million in 2011, \$160 million in 2012, \$204 million in 2013, and \$256 million in 2014. The 2010 budget for Focus was about \$83 million. The larger budgets for Focus on Energy will enable it to serve more customers, some of which were turned away in 2010 due to insufficient funds.

We're asking Governor Scott Walker and members of the Legislature to preserve these budgets for Focus on Energy, which are paid for through rates charged to electric and gas utility customers. They are not paid for with general purpose revenues.

Since 2001, Focus on Energy has helped more than 2 million Wisconsin residents and businesses save nearly \$2 billion on their energy bills, above and beyond the cost of the Focus on Energy program itself.

The services and products of Focus on Energy are provided by over 3,000 private businesses, such as home builders, engineering firms, commercial builders, equipment distributors, and manufacturers. These businesses created 24,679 job-years during the first ten years of the program (a job-year is one person working full time for one year).

Making our homes and businesses more energy efficient is the best strategy to help consumers save money and reduce their energy bills. Studies have consistently shown that investments in energy efficiency by Focus on Energy are cost-effective: Focus on Energy saves \$2.50 for every dollar spent through the program. This is a program that makes money. For example, investing \$1,000 in energy efficiency through Focus on Energy will save consumers \$2,500.

Investments in energy efficiency are much less expensive than comparable investments in new power plants, or to pay for the fossil fuels that are burned in most of them. Energy efficiency is also less expensive than buying heating fuel. This is why Focus on Energy makes money for consumers.

Legislation: Telecom Deregulation

In previous legislative sessions, AT&T and other telephone companies tried to push through legislation that would have deregulated landline telephone service. We know AT&T is working to introduce a new version of their deregulation bill. If it's similar to previous bills, the 1.5 million Wisconsin households that still use landline telephone service could see higher rates, poorer service, or could lose service entirely.

AT&T and others argue that Wisconsin's telephone regulations are outdated and stifle the expansion of new telecom services throughout the state. The truth is many

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Upcoming Cases at the PSC

CUB will be working on the following important cases in 2011. The numbers in parentheses are the 'docket' numbers that identify the case at the Public Service Commission. You can view all the documents submitted in each case by entering the docket number on the PSC's website, <http://psc.wi.gov/>

Examination of Excess Capacity (05-EI-150)

At CUB's urging, the PSC is investigating cost-saving measures to address the state's surplus of power. Options include examin-

ing whether any coal-fired power plants operating in Wisconsin should be retired.

We Energies, Biomass Power Plant (6630-CE-305)

In 2010, We Energies asked the PSC for permission to build a 50-megawatt cogeneration power plant near Wausau that would run on biomass and produce steam as well as electricity. CUB has intervened and is opposed to the plant because it is \$61 million to \$1.6 billion more expensive than alternatives. We expect the PSC to decide this case in the first half of 2011.

Rate Cases

The following utilities will likely ask the PSC for permission to raise electricity rates starting in January 2012. CUB will fight any rate increase that harms residential or small business customers:

- Madison Gas & Electric, Rates for 2012 (3270-UR-118)**
- We Energies, Rates for 2012 (05-UR-105)**
- Wisconsin Power & Light, Rates for 2012 (6680-UR-118)**
- Wisconsin Public Service Corp., Rates for 2012 (6690-UR-120)**
- Xcel/Northern States Power, Rates for 2012 (4220-UR-117)**

New CUB Members

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Mary Fairbanks	Jeannette Kroll	Geraldine Nikula	Stan Spence
Diane Farsetta and Eric Piotrowski	James Kucza	Carol Norman	Morris Spencer
Bruce Fischer	Karen Kwapil	Beverly Nottestad	Alvin and Maxine Stachiowiak
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households, especially in rural areas, have no access to cellphones, Internet phones, or cable phones, and rely completely on landline telephone service. Many elderly residents prefer landline telephone service, or don't want new types of phone service. Deregulation proposals by AT&T and others would threaten the ability of these customers to receive affordable landline telephone service and have it work.

We're asking you to make sure telephone legislation protects the ability of customers who want landline telephone service to get it at reasonable prices, and that landline service continue working and be well maintained. The following principles should be at the heart of telephone legislation:

1. Everyone ought to be able to have a phone at reasonable cost and have it work.
2. Everyone ought to be able to know what services a provider is offering and how much those services cost.
3. Everyone ought to have access to high speed broadband.
4. If the above requirements are not being met, people should be able to seek redress from the Public Service Commission.
5. Telephone service that is provided over the Internet should meet the same technical service quality standards as landline phones.

Please oppose legislation that could leave rural areas without any reliable telephone service. Instead, we urge you to support legislation that ensures that everyone can have reliable telephone service, and high-speed broadband service, at reasonable prices.

Legislation: Don't Repeal the Nuclear Moratorium

Since 1983, Wisconsin consumers have been protected from the high costs and risks of nuclear power. The nuclear power plant law (Wis. Stat. 196.493), also known as the nuclear moratorium, requires that before any new nuclear

power plant is built in Wisconsin, several criteria must be met:

- "A federally-licensed facility... with adequate capacity to dispose of high-level nuclear waste from all nuclear power plants operating in this state will be available, as necessary, for disposal of the waste;" and
- "the proposed nuclear plant, in comparison with feasible alternatives, is economically advantageous to ratepayers" in terms of fuel supply, costs for construction, operation, decommissioning, nuclear waste disposal, and any other economic factor.

The Cost

Recent proposals for new nuclear plants are extremely expensive, costing at least \$10 billion. With costs in the neighborhood of \$10,000 per kilowatt, nuclear is much more expensive than other technologies: electricity from a new coal plant costs less than \$3,500 per kilowatt, wind electricity costs less than \$2,500 per kilowatt, and electricity from a natural gas combined cycle plant costs less than \$1,500 per kilowatt.

Wisconsin ratepayers should not have to pay higher rates for nuclear when other technologies are available at less than half the price. A new nuclear plant would cause electricity rates to skyrocket, making Wisconsin uncompetitive with states with lower electricity rates.

Besides, Wisconsin has excess capacity baseload capacity and doesn't need a new baseload power plant. Therefore, repealing the nuclear moratorium will not lead to any new power plants, nor create any jobs. Though there are companies in Wisconsin that service the nuclear industry, repealing the moratorium won't provide them with any direct benefit, since no plant would be built here for years if not decades.

Florida, Georgia, and South Carolina

are forcing their ratepayers to pay for new nuclear plants, even though the plants are not actually under construction, their owners don't have federal construction licenses, and the plants won't produce electricity for many years, if ever.

The nuclear industry admits that new nuclear plants won't be built without subsidies from federal taxpayers. Congress has authorized \$18 billion in loan guarantees for new nuclear plants. However, these loan guarantees put taxpayers on the hook for billions should the plants have cost overruns or are never completed.

The Waste

Nuclear power produces tons of radioactive waste, including plutonium, one of the most lethal substances known to humans and a primary ingredient in nuclear weapons.

The federal government hasn't opened a dump for nuclear waste at Yucca Mountain, Nevada, and probably never will: work on this project has come to a halt as the federal government considers new options for dealing with nuclear waste.

The U.S. will likely have no safe way to dispose of nuclear waste for decades, if ever. Instead, nuclear waste is piling up at reactors in Wisconsin and elsewhere, exposing those living near the plant to the risks and costs of potential spills of radioactive material.

As the U.S. continues producing more nuclear waste, it may look again at the Wolf River batholith, an area in central and northeastern Wisconsin, which was studied by the federal government in the 1980's as a possible site for a nuclear waste dump.

Repealing the nuclear moratorium will do nothing for Wisconsin consumers other than expose them to the high costs and risks of new nuclear power plants and more nuclear waste. Please oppose the repeal of the nuclear moratorium.

CUB Saves Ratepayers \$82 Million

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Bent Tree project, as CUB and WIEG had argued.

Wisconsin Public Service Corp., Rates for 2011 (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%). The new rates would take effect on January 1, 2011.

CUB intervened in the case and urged the PSC to reduce WPS's profits. CUB also reviewed the changes WPS wanted to make to the 'decoupling mechanism,' which would allow the utility to charge higher rates.

CUB also explored why WPS was trying to charge customers for costs associated with unexpected shut downs of the new Weston 4 coal-fired power plant. The boiler tubes of the plant have been clogging up due to 'exfoliation' of material inside the tubes. The clogged tubes have forced periodic shut downs of the plant, and WPS was trying to charge customers for make-up electricity WPS had to purchase on the spot market.

The PSC issued its decision in this case on December 16, 2010. The PSC accepted many of CUB's recommendations and reduced WPS's increase in electric rates to \$8 million, or about 1 percent. The PSC agreed with CUB and lowered WPS' return on equity (profit) to 10.3 percent, which means that ratepayers will pay \$13.3 million less than requested by WPS.

Unfortunately, the PSC did not find WPS 'imprudent' for the clogging problems at the Weston 4 power plant, as CUB had recommended. Had the PSC followed our advice, ratepayers would have saved another \$4.5 million.

Madison Gas & Electric, Rates for 2011 (3270-UR-117)

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

CUB intervened in the case and argued against several proposals made by MGE.

The PSC issued its decision in this case on December 22, 2010: electricity rates for MGE's customers were increased by about \$8 million, or 2.3 percent.

Here are some of the outcomes of CUB intervention in the case:

MGE proposed to increase the customer charge for residential service from the current rate of \$8.70 per month to \$9.50, an increase of 9.2%. The PSC agreed with CUB and kept the customer charge at the current rate of \$8.70 per month; keeping the customer charge at the current level will provide more appropriate price signals to customers, and mitigate rate impacts for customers that use modest amounts of electricity.

MGE tried to have its customers pay for producing electricity at the West Campus Cogeneration Facility when it was not economical to do so. This situation arises when MGE is required to provide steam to the UW, but the electricity that is also produced has to be sold at a loss. The PSC agreed with CUB and reduced rates by \$1.8 million, which will protect customers from paying for these uneconomic costs of producing electricity.

Finally, at CUB's urging, the PSC reduced MGE's return on equity (profits) to 10.3 percent, which reduced rates by \$500,000.

Altogether, CUB's intervention reduced rates by about \$2.3 million.

Public Service Commission, Quadrennial Planning Process for Energy Efficiency (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 participated in this docket to make sure appropriate goals and funding were established to support Focus on Energy and its energy efficiency programs.

CUB, Clean Wisconsin and RENEW Wisconsin submitted joint comments to the PSC in November 2009, June 2010, and September 2010, providing our recommendations for funding levels and policies that would allow Focus on Energy to make additional investments in energy efficiency.

Since 2001, Focus on Energy has helped more than 2 million Wisconsin residents and businesses save nearly \$2 billion on their energy bills, above and beyond the cost of the Focus on Energy program itself. Focus on Energy also created the equivalent of over 2,400 full-time jobs since 2001.

In November 2010, the PSC sent a proposal to the Legislature's Joint Committee on Finance to greatly increase the funding levels for Focus on Energy. The PSC's proposal, strongly supported by CUB, Clean Wisconsin, and RENEW, would nearly double the funding for Focus on Energy for 2011 through 2014. The Joint Committee on Finance, approved the new funding levels for Focus on Energy in mid-December 2010.



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New Staff at CUB

A hearty welcome to two new staff members, Kira Loehr and Phil Kerckhoff.

Kira Loehr, General Counsel, is responsible for representing CUB in cases before the Public Service Commission and the courts. She also helps develop CUB's positions on utility policy and other issues of importance to residential and small business utility customers. Kira received a J.D. degree from the University of Wisconsin Law School, and a B.A. degree in psychology and philosophy from Saint Louis University.

Phil Kerckhoff, Associate Director, develops materials for members, stakeholders, and the media that summarize CUB's program activities. He also develops and implements fundraising efforts. He was previously employed by CUB in a similar capacity from 1992 to 1997, and has provided consulting services to CUB since 2004. Phil has a B.A. degree in political science from Southwest Missouri State University.

Please stop by CUB's booth, A4, at the MREA Fair (June 17-19), Custer Wisconsin. Meet CUB Board members and discuss CUB issues and priorities.

