



CUB Reporter

Citizens Utility Board Newsletter • SPRING 2014

CUB Helped Save Ratepayers \$107 Million in 2013

2013 was a very busy and successful year for CUB's work protecting ratepayers. CUB intervened in 30 cases before the Public Service Commission (PSC), many in which utilities were seeking to raise electric rates or to receive approval for multi-million dollar construction projects.

Significantly, CUB helped save Wisconsin electricity ratepayers \$107 million on their utility bills through our strong advocacy on behalf of residential, farm, and small business customers. The PSC accepted many of CUB's arguments against utility requests to raise rates, and for the need to closely monitor and control the costs of utility construction projects.

\$13 Million Decrease for WPS Customers

CUB helps save \$90 million

One shining example of CUB's advocacy on your behalf was our work to turn what could have been a \$76 million electric rate increase into a \$13 million rate decrease. Wisconsin Public Service Corporation (WPS), north-eastern Wisconsin's largest investor owned utility wanted to raise customers' electric rates by \$76 million in 2014. But, because CUB understands that utility rate increase requests can be defeated when a strong battle is waged, not only was the \$76 million rate increase request denied, existing rates were slashed by \$13 million! A near \$90 million cost-savings to customers!

Summaries of CUB's 2013 Cases

Below are summaries of a select sample of cases CUB intervened in before the PSC in 2013. Each case is identified by a "docket number," which is included in the title of each case summary. You can view most of 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' Valley Conversion Project, 6630-CU-101 *Steam customers should pay, not electric customers*

In April 2013, We Energies requested authorization from the PSC to convert the Valley Plant to run on natural gas, rather than coal, at a construction cost of \$80 million. Valley is a two-unit coal-fired plant located in downtown Milwaukee that is relied on by 450 large businesses to provide steam for heating and industrial processes.

We Energies proposed that its electric customers pay 92 percent of the capital costs for the plant conversion, steam customers to pay 8 percent of those costs, and electric customers to pay for all of the Plant's uneconomic electric dispatch costs.

CUB intervened in the case and filed expert testimony showing that Valley's conversion would almost exclusively benefit steam customers, and not electric ratepayers. CUB requested that if the PSC approved the project We Energies' electric ratepayers pay no more than 22 percent of the capital costs for conversion, and eliminate the tens of millions of dollars of uneconomic dispatch costs electric ratepayers would pay. CUB argued that electric customers should not have to pay the vast majority of the costs for a plant they do not need and will not use.

At its January 30, 2014, Open Meeting, on a 2-1 vote, the PSC approved We Energies' request to convert the Valley Plant from coal fired to natural gas fired, as well as We Energies' proposed allocation of construction costs and uneconomic dispatch costs.

We Energies Fuel Cost Case for 2014, 6630-FR-104

PSC orders \$35.7 million decrease

In July 2013, We Energies requested authorization

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From the Acting Executive Director

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For those of you who don't know me, allow me to introduce myself. My name is Kira Loehr and I'm the Acting Executive Director here at CUB. For the last 10 years, I've been one of the attorneys fighting for CUB before the Wisconsin Public Service Commission, the Midcontinent Independent System Operator, the Wisconsin legislature, and the courts. I've always believed strongly in CUB's purpose of advocating on behalf of residential and small business customers for reliable, affordable and sound utility service, and now, I have the pleasure of helping to lead the organization and carry on that mission.

In Wisconsin, electric, natural gas, and water utilities are monopolies that serve specific territories and captive customers. Monopoly utilities need a watchdog to make sure that they don't get too greedy or too complacent. For the last 35 years, CUB has been that watchdog and the voice of the community of residential and small business utility customers in Wisconsin.

When the utilities seek permission from the Public Service Commission to build new infrastructure or to raise your rates, CUB jumps in to protect your rights and your pocketbooks. We fight to ensure that your hard-earned dollars only go for utility services that you need and that benefit you, not for overbuilding the system or to line the pockets of company executives.

CUB's staffing may have changed over the last 35 years, but our fight for you will never quit. During 2013, CUB's efforts helped save Wisconsin consumers over \$100 million in future electric rates. This newsletter describes some of the work we did to win those savings for you, including one of the highlights; helping to turn Wisconsin Public Service Corporation's request for a \$76 million rate increase into a \$13 million rate decrease.

This year, even more battles are ahead. All five of the big, investor-owned utilities in Wisconsin are



expected to ask to increase your electric rates and several large, new electric and natural gas construction projects are on the horizon. We're gearing up for these fights and will use the expertise we've gained in the complex world of utility regulation over the last 35 years to better fight for you.

We also want to be able to tell you when exciting things are happening in the utility world and to hear from you when utilities in your service territory propose projects and rate increases that you'll be asked to fund.

To that end, please consider signing up for CUB's electronic "Action Alerts." These alerts will timely inform you of events impacting your utility service. All we need from you is an email address which can be included in the enclosed reply envelope. Including a donation in the envelope will further help us help you as we mobilize for the busy year ahead.

It is your support that makes CUB's continued existence possible, and I heartily thank all our members and grant funding organizations for your generous contributions. Together, we can keep the lights on and utility bills manageable for this and all future generations!

Priorities for 2014

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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Big Battles Ahead

Despite our successes in 2013, CUB is facing one of its biggest challenges yet in 2014. This year will be unprecedented as CUB expects all of the big investor owned electric utilities to file rate cases with the PSC.

CUB's resources will be stretched to the limit as we fight the corporate power of all the big investor owned utilities in Wisconsin and their legions of consultants and attorneys. But CUB will not shy away from the battle! As we have for the last 35 years, CUB will fight to the end to protect your hard earned money.

Electric Rate Increases for 2015

During 2014, CUB expects Madison Gas & Electric, We Energies, Wisconsin Public Service Corp., and Xcel Energy to seek hundreds of millions of dollars in higher electricity rates for 2015. Alliant Energy is also expected to put forward a proposal regarding its electric rates for 2015 and 2016.

The rate increase requests will come at a time when Wisconsin residential and small business ratepayers continue to reel from the effects of the Great Recession.

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

Focus on Energy, Quadrennial Planning Process II, 5-FE-100

CUB seeks to advance energy efficiency programs

Every four years the Public Service Commission (PSC) opens an investigation to evaluate the energy efficiency and renewable energy programs offered by Focus on Energy and the utilities, to determine appropriate goals, priorities, and measurable targets for the programs. In 2014, the Quadrennial Planning Process II will establish the goals for energy efficiency and renewable energy pro-

grams for the 2015-2018 period.

CUB believes strongly that cost effective energy efficiency programs are the best line of defense against higher utility rates and the best way to minimize needlessly wasted energy. CUB has retained national experts on the topic of evaluating energy efficiency programs and will be submitting comments in this important docket.

ATC and Xcel Energy, Badger Coulee Transmission Project, 5-CE-142

CUB to see if line is needed and cost effective

ATC and Xcel Energy jointly filed an application with the PSC to construct a high-voltage transmission line from the La Crosse area to the Madison area. The proposed line would be approximately 160 to 180 miles long and is expected to cost between \$515 million and \$550 million depending on the route. The project is somewhat unusual in that the total cost will be shared across the entire MISO footprint. CUB expects to intervene in the case to review whether the project makes sense for Wisconsin ratepayers if updated assumptions about the future are used.

ATC, Bay Lake Transmission Project, 137-CE-166

CUB to see if line primarily benefits Michigan

ATC expects to file an application with the PSC to build new high-voltage transmission lines from the Green Bay area to the Upper Peninsula of Michigan to be known as the Bay-Lake Transmission Project. CUB was instrumental in scaling back the size of the project when ATC originally proposed it before MISO in late 2011. CUB will follow this case at the PSC to determine whether the lines are needed for Wisconsin ratepayers and, if not, to present a case showing why Wisconsin ratepayers should not pay for transmission projects that primarily benefit the State of Michigan.

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***CUB saves over \$100 for every
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CUB Helped Save Ratepayers \$107 Million in 2013

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from the PSC to decrease electric fuel costs by \$30.4 million beginning January 1, 2014. CUB intervened in the case to argue that ratepayers should receive at least an additional \$5.1 million from a settlement We Energies entered into with the Department of Energy regarding the federal government's failure to begin removing spent nuclear fuel from the Point Beach Nuclear Power Plant in 1998.

CUB noted that We Energies spent \$13.6 million to achieve a settlement of \$45.5 million while Xcel Energy spent \$8.5 million to reach a settlement of \$182 million with the DOE for failure to remove spent fuel. CUB argued that the PSC should order We Energies to refund \$5.1 million more of the settlement funds to ratepayers because it mismanaged its litigation costs, as borne out by Xcel's much greater success on behalf of its customers for significantly less cost.

The PSC determined there was not enough evidence in the record to reduce the amount of We Energies' legal fees associated with the nuclear waste settlement. However, the PSC noted that future utility litigation expenses would be closely monitored. The PSC authorized a \$35.7 million decrease in fuel costs for 2014.

We Energies Loss of Largest Electric Customer in Michigan, 6630-BS-100

Michigan deregulation hurts Wisconsin ratepayers

In September 2013, We Energies largest electric customer, two iron ore mines in the Upper Peninsula of Michigan owned by Cliffs Natural Resources, selected Integrys Energy Services as their electric provider. IES serves customers in deregulated energy

markets. The mines switched from We Energies to IES due to We Energies' high electric rates.

The loss of the mines impacted We Energies need to operate its Presque Isle Power Plant located in Marquette, Michigan. We Energies petitioned the Midcontinent Independent System Operator (MISO) to suspend operation of the plant. However, MISO informed We Energies that the operation of Presque Isle was necessary to maintain electric reliability in the UP.

As a result, We Energies is now eligible for payments from MISO to recover costs for operating Presque Isle. MISO currently plans to collect 92% of those payments from Wisconsin ratepayers. This means that Wisconsin ratepayers will be responsible for millions of dollars each month in payments so that the Michigan mines can continue to receive the benefits from Presque Isle and pay lower rates to IES. That is obviously unfair. Wisconsin ratepayers are in no way responsible for the events that

transpired and should not be forced to pay to support the power source for customers of a Michigan unregulated utility.

The PSC continues its investigation in this case. CUB will continue fighting to prevent Wisconsin electric ratepayers from having to pay for millions of dollars in costs that they were not responsible for causing.

Wisconsin Gas, Natural Gas Pipeline in West Central Wisconsin, 6650-CG-233

CUB to see if pipeline needed and cost effective

In March 2013, Wisconsin Gas requested authorization from the PSC to construct a natural gas pipeline in Eau Claire, Jackson, Clark, and Monroe counties in west central Wisconsin. The project is estimated to cost \$195 to \$224 million depending on the route selected, with a projected in-service date of November 2015. The pipeline is being proposed to

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

CUB Helped Save Ratepayers \$107 Million in 2013

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serve existing and new customers in the project area, including frac sand mining operations and residential customers wanting to switch from propane to natural gas for home heating.

CUB has intervened in the case to review whether the project is needed and is cost-effective in comparison to alternatives. The PSC will decide the case in 2014.

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

No subsidies for large customers

In February 2011, the PSC approved an economic development rate (EDR) for Milwaukee Water Works, the water utility that serves the Milwaukee area. The EDR allowed the Water Works to provide special rate discounts on water service to companies that expanded their Milwaukee businesses or moved to Milwaukee from out-of-state. CUB has long opposed EDR's 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 businesses had subscribed to the EDR by spring of 2012, the PSC wanted to increase the EDR incentives. However, the City of Milwaukee wanted to stop the EDR rate offering. The PSC held a hearing on the matter in the spring of 2013. CUB intervened in support of the City's effort to stop offering the EDR and fought to ensure that the PSC adhered to its legal process requirements regarding record evidence and hearings.

The result was that there was no support on the record for continuing the EDR, and the PSC issued an order allowing the discounted rate offer to expire in July 2013.

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

PSC approves pollution controls

In July 2012, Alliant requested authorization from the PSC to install a \$450 million "dry flue gas desulfurization system" on Edgewater Unit 5, a 430 megawatt coal-fired generator installed in 1985 that is located near Sheboygan. The pollution control equipment will reduce sulfur dioxide emissions. A "selective catalytic reduction system" has also been installed that will reduce nitrogen oxide emissions. CUB intervened in the case to review the reasonableness of the cost of installing the pollution control equipment. The PSC approved the installation of pollution controls in June 2013.

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

Program not cost effective, Focus on Energy does better job

In June 2013, Alliant filed a request with the PSC for authorization to continue the "Shared Savings" energy efficiency program, which provided commercial and industrial customers with low-cost financing to make their facilities more energy efficient. Focus on Energy, the state-wide energy efficiency and renewable energy program, offers a similar program but provides grants rather than financing.

CUB intervened in the case and submitted comments to the PSC expressing concerns with the cost-effectiveness and value of Alliant's program given its decline in usage since Focus launched its similar program. CUB requested that an analysis of Alliant's cost-effectiveness methods and assumptions be completed before the PSC decided on the continuation

of the Shared Savings program.

At an August 2013, Open Meeting the PSC expressed reservations about the costs and benefits of the Shared Saving program and directed the utility to work with PSC staff to address the concerns. In October 2013, Alliant informed the PSC that it was withdrawing its application to renew the Shared Savings program and that the program would be discontinued as of December 31, 2013.

Alliant Energy Fuel Cost Case for 2014, 6680-FR-106

PSC agrees with CUB, orders refund

In July 2013, Alliant requested authorization from the PSC to increase electric rates by \$30.6 million, or 3.1 percent, to pay for power plant fuel costs in 2014. Alliant also proposed to offset the \$30.6 million rate increase by netting against it \$11.6 million of over-collected fuel costs from 2012. CUB opposed Alliant's proposal because it would delay the return to ratepayers of a significant amount of over-collected fuel costs. The PSC agreed with CUB's position and ordered Alliant to return the 2012 over-collected fuel costs to ratepayers as soon as possible. Furthermore, the PSC reduced Alliant's proposed rate hike for 2014 by \$11.2 million.

WPS Corp., Retrofit of Weston Unit 3, 6690-CE-197

CUB predicted cost overruns

In May 2012, Wisconsin Public Service Corporation (WPS) requested authorization from the PSC to install a pollution control technology known as ReACT at Weston Unit 3, a 321 megawatt

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CUB Helped Save Ratepayers \$107 Million in 2013

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coal-fired power plant located near Wausau. WPS estimated that the ReACT system would cost \$275 million. The technology would primarily reduce sulfur dioxide emissions with some reduction in nitrogen oxide and mercury emissions as well.

CUB intervened in the case and expressed concerns regarding the potential for the project to experience cost overruns. The PSC approved the project at a cost of \$275 million and agreed with CUB's concerns. The PSC required WPS to report any cost overruns above five percent associated with the construction of the project and the operation of the ReACT technology, all to reduce cost risk to ratepayers.

In January 2014, WPS informed the PSC that it is now projecting the cost of installing ReACT to be \$345 million, a 25 percent increase over the PSC approved cost. CUB intends to address the cost overrun issue in WPS' upcoming rate case.

WPS Corp., System Modernization and Reliability Project, 6690-CE-198

CUB calls for 2 year review to evaluate effectiveness

In October 2012, WPS requested authorization from the PSC to spend a total of \$222.5 million for 200 to 300 miles of electric distribution system improvements annually over five years. Distribution lines run from utility substations to homes and businesses, and above-ground lines can be knocked down by storms and accidents causing electrical outages. WPS proposed to underground 1,250 miles of

lines and to install automated controls on another 400 miles of lines.

CUB intervened in the case and filed expert testimony raising concerns regarding whether the costs of the project were reasonable in comparison to the expected benefit. In June 2013, the PSC approved the project. As a condition of approval, the PSC agreed with CUB that the project should be re-evaluated in two years and that WPS should survey its customers to see if they support the project at the size, scope and cost WPS has proposed. WPS must also issue periodic reports about the cost of the project and whether it is reducing the number and frequency of outages in the upgraded areas.

WPS Corp., Rates for 2014, 6690-UR-122

CUB helps save \$90 million

In March 2013, WPS requested authorization from the PSC to raise electric and natural gas rates starting January 1, 2014. WPS requested a \$75.9 million, or 7.7 percent electric rate increase, and a \$21.2 million, or 6.5 percent natural gas rate increase.

CUB intervened in the case and provided expert testimony in opposition to WPS' requested profit level, proposed increase of residential electric rates, and continuation of its electric and gas decoupling or true-up mechanism. CUB also opposed the utility's request for ratepayers to pay for executive and non-executive employee incentive compensation packages.

In December 2013, the PSC ordered a \$12.8 million electric

rate decrease, or -1.32 percent, and a \$4.0 million natural gas rate increase, or 1.23 percent. The PSC'S decision results in nearly a \$90 million savings to WPS customers on electric rates in 2014.

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

CUB helps save over \$5 million

In June 2013, Xcel Energy requested authorization from the PSC to raise electric rates by \$40 million, or 6.5 percent, and natural gas rates by \$4.7 million, or 3.5 percent, starting January 1, 2014.

CUB intervened in the case and filed expert testimony in opposition to Xcel's proposed increase of residential electric rates. CUB also opposed Xcel's requested profit level, request for ratepayers to pay for employee incentive compensation packages, and collection of cost overruns associated with the Monticello power plant uprate project.

In December 2013, the PSC ordered a \$19.5 million electric rate increase, or 3.11 percent, and no change to natural gas rates. The PSC's decision results in a \$20.5 million savings to Xcel's customers on electric bills, and a \$4.7 million savings on natural gas bills in comparison to what the utility requested.

MGE, Rates for 2014, 3270-UR-119

CUB helps freeze rates

In the spring of 2013, CUB worked with MGE to develop a rate freeze plan that would freeze 2014 electric and natural gas rates at 2013 levels. The PSC approved the rate freeze in July 2013.



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CUB Board of Director Nominations

Attention CUB members – the CUB board of directors is seeking nominations for new board members.

Nominees should share CUB’s commitment that ratepayers deserve a strong, effective voice to ensure safe, reliable utility service at reasonable rates. Nominees must be current CUB members.

Particularly strong nominees will possess skills in:

- Fundraising
- Finance
- Human Resources
- Marketing
- Nonprofit Management
- Strategic Planning

If you’re interested in serving a 3-year term on the CUB board of directors, please submit your resume along with your response to the two questions listed

below by May 1, 2014 to CUB board president Russell Wallace at wallacer@orbitec.com or by mail to:

Russell Wallace
c/o Citizens Utility Board
16 N. Carroll Street, Suite 640
Madison, WI 53703

Questions (your response to both questions should be no more than 500 words):

- Why would you like to be on the CUB board and what do you hope to accomplish during your term?
- What skills and experience would you bring to the board?

