

# CUB Reporter

Citizens' Utility Board Newsletter • Summer 2003



## "RELIABILITY LEGISLATION" DRIVES RATES UP

**C**UB has been pushing for the return of comprehensive energy planning ever since the utilities got the legislature to repeal the Advance Planning process as part of the 1998 "Electric Reliability Act."

We have been arguing that without a planning requirement, the big utilities would withhold major investments until electric rates went skyward. Then, we predicted, the utilities would demand exorbitant prices for their projects, threatening to not build unless they got the PSC to approve new projects on the utilities' terms. This form of blackmail would drive rates up in Wisconsin - which was once known for the lowest rates in the Midwest.

Unfortunately, we were right.

Electric rates in Wisconsin have skyrocketed and now the monopolies are stepping forward with building plans that are among the most expensive in the nation. Utilities are threatening to not build major projects unless the PSC awards them overly generous rates of return (between 12.5% and 12.9%) that pay shareholders handsomely for new power plants and transmission lines that are needed in the state.

Take a look.

Data from the U.S. Energy Information Administration show that residential electric rates in Wisconsin reached an all time high in 2002. Since 1997, the average residential electric rate has risen over 17%. As a comparison, most neighboring states have seen either stable or decreasing rates and the U.S. average rates are unchanged since 1997.

Why has Wisconsin fared so poorly? In large part because the PSC stopped paying attention to what the electric utilities were doing in

the late 1990's. The PSC had no idea what the state's electric needs were in the late 1990's and they didn't appear to care.

Rates began their upward march at the same time planning disappeared. Despite a decade long trend of growing electric demand, the PSC inexplicably allowed the utilities to cut energy conservation efforts in half — increasing demand. Despite the fact that utilities hadn't built a single baseload power plant since 1984 and it had been decades since a new high voltage transmission line was built to connect Wisconsin to other sources of power, the PSC fiddled away.

Rates went up as state utilities bought ever increasingly expensive power from out of state merchant power plants even as transmission lines became more congested. Thus, rates went up even though the utilities were trimming their investments in Wisconsin. Reliability was threatened because of over reliance on a transmission system that was not designed to handle as much power as the utilities were buying.

Now that electric rates are hitting a new high, the utilities have decided that its time to cash in and start building — on their terms.

Fortunately for ratepayers, the PSC has finally heard CUB's call for planning. Newly appointed PSC Chair Burnie Bridge has called for utility planning to be in place by next spring. Commissioner Bert Garvin is warming to the idea as a way to help identify utility shortcomings before they become a crisis.

With long range planning in place, the PSC (with public input) will have the tools it needs to ensure that utilities plan for the future and that reasonable alternatives get a fair hearing.

CUB is tireless in its advocacy for lower rates and will continue to advocate for meaningful planning that will help Wisconsin return to its former role as a model for affordable and reliable electric supplies.

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## REPORT FAVORS KING-WESTON ALTERNATIVE

### Arrowhead costs soar to over \$400 million

An engineering report prepared for the Public Service Commission of Wisconsin confirms that building a power line along an existing right of way between King, Minnesota and Wausau would cost significantly less than the proposed Arrowhead transmission line from Duluth, Minnesota to Wausau.

R.W. Beck was hired by the PSC to evaluate the projected costs increases in the Arrowhead line from \$165 million last year to over \$450 million this year. The firm was also asked to look at the likely costs of an alternative route from King to Wausau.

According to the report, the King-Weston line would cost at least \$30 million less than Arrowhead and more likely at least \$50 million cheaper than Arrowhead.

In addition to costing less, the King-Weston line has far fewer adverse environmental and landowner conflicts since it traverses an existing transmission right of way. Given the fewer conflicts, it is also more likely to be constructed sooner.

Despite the overwhelming evidence of a cheaper, less destructive option, proponents of the Arrowhead line have continued to support the most environmentally destructive and expensive line ever proposed in the state.

CUB will continue to fight for lower cost, more environmentally friendly energy infrastructure options for Wisconsin's future.



## CUB CASE ACTIVITY AT THE PSC

CUB is always fighting for lower rates for you. The following is a list of cases CUB is active in at the PSC this year:

### Wisconsin Public Service Corporation

Application for 2003 rate increase: \$51 million electric and \$9 million gas.

Commission approved: \$21 million electric increase; \$1 million gas decrease.

Application for 2004 rate increase: \$92 million electric and \$16 million gas.

Decision expected in December, 2003.

Application for \$71 million in pre-construction costs for proposed Weston 4 coal plant. Decision expected in Fall, 2003.

### Wisconsin Electric Power Company -

Application for 2003 fuel cost increase: \$55 million electric. Decision expected in Summer, 2003.

Application for 2004 rate increase: \$64 million electric, \$26 million gas. No schedule yet.

Application for authority to construct Oak Creek coal fired power plants. Decision expected in November, 2003.

### American Transmission Company

Company application for authority to construct the Arrowhead transmission line at an increased cost of \$300 million. Decision expected in December, 2003.

### Madison Gas and Electric

Company application to construct the West Campus Co-Generation power plant at a cost of \$180 million. \$100 million of the costs would be for the power generator. Decision expected in Fall, 2003.

### Wisconsin Power and Light Company

Application for 2003 rate increase: \$83 million electric and \$13 million gas. Commission approved: \$77 million electric and \$4 million gas increase.

Application for 2004 rate increase: \$81 million electric and \$5 million gas.

Decision expected in December, 2003.

**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**

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## **WE ENERGYS POLLUTION SETTLEMENT TO COST RATEPAYERS UP TO \$600 MILLION**

According to the U.S. Environmental Protection Agency (EPA), WE Energies has spent the last twenty years flouting the Clean Air Act by illegally spewing out “massive amounts” of pollution that is associated with “increased sickness and mortality from lung disorders...” The federal case was so strong that WE Energies chose to settle the matter in a consent decree with EPA rather than argue its case in court.

While the settlement between the monopoly and the EPA will lead to cleaner air, the terms of the settlement will surely sicken ratepayers. WE Energies is planning to send the cost of making reparation — estimated at \$600 million — to ratepayers. The miniscule civil penalty of \$3.2 million will be absorbed by shareholders.

CUB pledges to fight any and every attempt to send this bill for mismanagement to ratepayers.

It is unknown at this time whether executives at WE Energies will be given bonuses for its plan to make ratepayers pick up the \$600 million bill.

According to the federal complaint, WE Energies ignored a key provision of one of the nation’s most important health laws by failing to install pollution control devices at its coal fired power plants when those plants were upgraded.

The settlement, which was worked out in secret, allows WE Energies another ten years to fix the dirty plants. That means that WE Energies would finally comply with the terms of the Clean Air Act in 2012 — thirty years after the statutory compliance date.

The cost of making the required upgrades is estimated at \$600 million.

The settlement comes just in time for WE

Energies. The state’s largest electric utility is proposing to build 1800 megawatts of new coal fired power plants in Oak Creek. If no settlement was reached, WE Energies could not get permits to operate its new power plants.

CUB applauds the work of the US EPA in uncovering the violations and its determination to seek remedies. However, because WE Energies pays virtually nothing for decades of violations, CUB strongly supports more substantial penalties as a disincentive for future violations of public health laws. CUB applauds the actions of Wisconsin Attorney General Peg Lautenschlager in seeking more appropriate penalties for the violations and more substantial mitigation measures to achieve cleaner air sooner.

The alleged violations come after a string of embarrassments for the Milwaukee based electric utility.

Earlier this year, they were slapped with the most serious safety violation notice — a code red violation — at their Point Beach Nuclear Power Plant. That would be bad enough except that it was the second year in a row that they were issued the code red violation at the same facility. Now WE Energies has the distinction of owning one half of all code red violations ever issued to nuclear power plants in the U.S.

Those code red violations follow other serious problems at Peach Beach. Back in 1997 they were hit with fines for the improper handling of nuclear waste storage casks. One cask actually exploded.

WE Energies is also the company that dumped wood chips laden with arsenic along its right of ways in West Allis. WE Energies turned down an initial offer to settle that dispute for \$1 million — only to see a jury subsequently order a \$100 million payment by the utility. That was later reduced substantially but WE Energies ended up forking over many times the original settlement amount.



# CODE RED FOR POINT BEACH NUCLEAR FACILITY

## NRC action raises questions about reliability

The Nuclear Regulatory Commission (NRC) issued its second "Code Red" finding for serious safety violations at the Point Beach Nuclear Power Plant owned by WE Energies in early April.

The finding of serious safety problems at Point Beach could result in a shutdown of the facility for extended investigations and repairs. Wisconsin suffered severe problems with reliable electric service the last time Point Beach was shut down because of safety concerns in the summer of 1997.

The NRC identified problems with auxiliary feedwater pumps that could malfunction in emergency conditions, leading to potential overheating problems at the nuclear facility. WE Energies was cited by the NRC for other problems associated with its auxiliary feedwater pumps in 2002.

There have only been four Code Red findings ever issued by the NRC. Two of the four findings have been issued to WE Energies for serious safety violations at Point Beach.

CUB pointed out that Point Beach has a history of mismanage-

ment and serious concerns over the safety of its operations. In 1996, the facility was the site of an explosion of a storage cask of highly radioactive waste. Wisconsin Energy was fined \$325,000 for safety violations at the time. That incident led to a prolonged shutdown that contributed to electric reliability problems in 1997.

Despite repeated assurances by Wisconsin Energy CEO Dick Abdoo that 'Safety is a threshold issue...There is no higher priority before us than this effort', Point Beach continues to be operated in a way that poses serious safety threats to workers and the community.

The repeated problems at Point Beach threaten electric reliability in Wisconsin. It is time for the state to address the ongoing problems at Point Beach and develop a plan that leads to the delivery of safe, affordable and reliable supplies of electricity.

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