

CUB Reporter

Citizens' Utility Board Newsletter • Fall 2003



DON'T BLAME PUBLIC FOR POWER FAILURES

The east coast blackout has the big business lobby and the Wisconsin legislature working overtime to “streamline” the approval process for new power projects. They blame you and me for slowing down needed high voltage transmission lines and power plants.

According to the Wisconsin Manufacturers and Commerce (WMC) it is nearly impossible to build a new power project in Wisconsin because NIMBY's (Not In My Back Yard) and Department of Natural Resources (DNR) regulators block every proposal. The result: lights go out.

The problem is that WMC is wrong.

In the last twenty years, neither “NIMBY's” nor the DNR has slowed down one power plant or high voltage transmission line proposed by an investor owned utility (IOU).

The fact is that the IOU's haven't built anything for twenty years. There hasn't been anything for “NIMBY's” or the DNR to block.

So why “streamline” the system by removing public input, as suggested by WMC?

In reality, the utilities and the Public Service Commission of Wisconsin (PSC) deserve 100% of the blame for any power woes that exist in Wisconsin. Despite an obvious need for new power facilities to meet a growing appetite for electricity, the utilities and the PSC sat on their hands for nearly two decades.

Warning signs flared in 1997 when the lights flickered and 20% of the state's electric generation was off line. All of the state's nuclear power plants were down for extended repairs. How did the legislature respond? They blamed the public for blocking needed power projects.

The so-called Reliability Act (1997 Act 204) repealed a requirement for utilities to plan how they would meet new customer demand for electricity. Public participation in deciding which projects should get built was sharply curtailed. The DNR review of projects was “expedited.”

The only project approved since the “expedited” review process is the controversial Arrowhead (Duluth-Wausau) transmission project. CUB strongly opposes the project — favoring a cheaper and technically superior transmission line from King, Minnesota to Wausau. Even a CUB lawsuit hasn't slowed down the beleaguered project.

Yet construction hasn't begun on Arrowhead because of the shoddy application by the American Transmission Company (ATC) and the bad review process at the PSC. The ATC claimed in the fall of 2000 that it could build the Arrowhead project for \$165 million. Just one year later, they said they would need to spend up to \$475 million. They are awaiting PSC approval to spend the additional dollars before beginning construction.

The public is not to blame for the bad application and the poor review by the PSC. This example calls for more — not less — public participation and agency review. The Arrowhead case actually points out why we shouldn't expedite permits.

The answer is for the PSC to do its job and get the utilities to submit timely applications for new power plants and power lines. Then the PSC can do a better job of assessing the need and alternatives.

The PSC should also “expedite” its promise to return to long range planning. Without planning, the regulators, the public, and the utilities have no idea what is really needed to meet future power demands.

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MORATORIUM ON NEW NUCLEAR PLANTS PROTECTS CONSUMERS AND THE ENVIRONMENT

Proponents of resuscitating the moribund nuclear industry are pushing to repeal a law that has been on the books in Wisconsin for twenty years. This law prohibits the construction of nuclear plants unless a site for the permanent disposal of nuclear waste is available and the plant provides economic benefits to ratepayers. This law is so eminently sensible that the debate should go no further.

However, because the nuclear industry continues to fail to meet these basic environmental and consumer protections, its sole recourse is to remove the prohibition in order to pursue its costly and dangerous nuclear agenda. Nuclear power plants generate a waste that is so toxic that a half century after the nuclear power industry began, a solution for its disposal has not been found. In Wisconsin over 1,800 tons of high level radioactive waste are stored along the shores of Lake Michigan and the Mississippi River, both vital fresh water resources, because of industry's failure to solve the disposal problem. Over 9 tons of plutonium, one of the most lethal substances known and the primary ingredient in nuclear weapons, is contained in this waste, which remains dangerously radioactive for tens of thousands of years.

New nuclear reactors would exacerbate the nuclear waste problem. By 2010, the volume of nuclear waste in the U.S. is expected to exceed capacity at the unfinished nuclear waste dump in Yucca Mt., Nevada. If new reactors are constructed, or if existing reactors are re-licensed, it is certain that the federal government will again look to the Wolf River Batholith in Wisconsin as a permanent storage site for the nation's nuclear waste, as it did in the 1980's.

The cost to construct and operate a nuclear plant in Wisconsin would result in an economic disaster for ratepayers. We Energies, owner of Point Beach nuclear plant, estimates that it would cost more than a staggering \$2 billion

to construct a 1,000 megawatt nuclear plant.

A recent analysis by the Public Service Commission verified that nuclear power would not be selected to meet Wisconsin's energy needs at the utility's projected construction costs. Nuclear plants are so expensive to build and so dangerous to operate that no new reactors have been ordered in the U.S. since 1978.

A server accident or attack at a nuclear plant would be catastrophic. The U.S. Nuclear Regulatory Commission has estimated that property damages from a severe nuclear accident at Wisconsin's nuclear plants could cost as much as \$132 billion.

Accidents do happen: from the meltdown at Three Mile Island, to Chernobyl, and here in Wisconsin at the Point Beach nuclear plant, where in 1996 a cask exploded that was loaded with high level nuclear waste.

Serious accidents will likely happen again. The fact that nuclear plants are considered potential terrorist targets is reason enough for abandoning any plan for the construction of new reactors or the continued reliance on nuclear power.

Wisconsin has to move into the future by relying on energy sources that don't create lethal radioactive wastes that require centuries to decay, require armed guards to protect, and can destroy billions of dollars of property in the event of a serious accident. Nuclear power is a dangerous, dirty, costly, and out-dated way of producing electricity. Instead, Wisconsin must make its homes and businesses as efficient as possible, and invest in renewable energy resources such as wind, solar, and bioenergy.

Preserving Wisconsin's nuclear moratorium law will prevent future generations from being burdened with a toxic nuclear legacy, and will insure that Wisconsin invests in clean, safe, and affordable energy sources of the future.



Friends of CUB

You are cordially invited to participate in the "Friends of CUB" program. This program is different than typical CUB membership in the following respects:

- to join, a minimum annual contribution of \$100 is required;
- members receive only one fund-raising appeal per year at renewal time;
- members receive quarterly updates on CUB issues;
- members receive updates, by mail, fax, or e-mail.

If you are interested in joining, please call the CUB office at 1.800.657.4727 or 608.251.3322 and ask for Steve Hiniker.



CUB EXPERT BLASTS ARROWHEAD TRANSMISSION LINE AS UNRELIABLE

An expert in electric transmission planning hired by CUB to compare the controversial Arrowhead Transmission line with the King-Weston alternative has concluded that the Arrowhead proposal is technically flawed and would not perform as well as King-Weston.

In testimony filed with the Public Service Commission (PSC), Larry Thiele, an electrical engineer with more than 25 years in electric transmission planning (including 18 years with the Wisconsin Public Service Corporation) stated that the Arrowhead

transmission line connects with several lower voltage lines in Minnesota that limits its

performance, and that the King-Weston

line is the superior choice from the standpoint of technical performance.

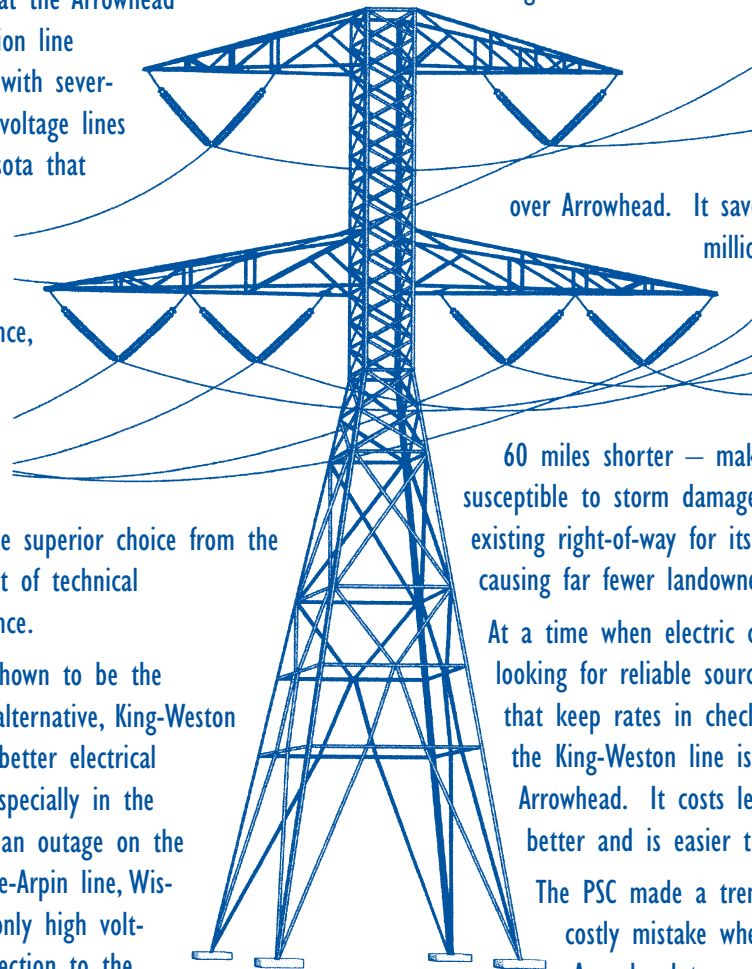
Already shown to be the cheaper alternative, King-Weston provides better electrical service, especially in the event of an outage on the Eau Claire-Arpin line, Wisconsin's only high voltage connection to the west. The need for a back up to this line is a major reason to construct a new high voltage line to the west.

According to Thiele, the Arrowhead line would

require cumbersome manual operating procedures to avoid problems while the King-Weston line is free of such restrictions.

Federal investigators have singled out operational errors as the root of the massive east coast electricity blackout in August, highlighting the need for a transmission system that is efficient and relies less on complex operational oversight.

Thiele also answered claims that the King-Weston line is "too close" to the existing Eau Claire-Arpin transmission line. The engineer pointed out that the King-Weston northern route alternative is separated by about 15 miles from the existing high voltage line — the same distance separating parallel high voltage lines in southeastern Wisconsin.



A King-Weston transmission line is the clear choice

over Arrowhead. It saves at least \$100 million. It has far

fewer adverse impacts on the environment. It is

60 miles shorter — making it less susceptible to storm damage. It traverses existing right-of-way for its entire route — causing far fewer landowner impacts.

At a time when electric customers are looking for reliable sources of energy that keep rates in check, it is clear that the King-Weston line is far better than Arrowhead. It costs less, performs better and is easier to build.

The PSC made a tremendous and costly mistake when it approved Arrowhead two years ago and now must reject Arrowhead and get on with the business of building a reliable and affordable transmission system for Wisconsin.



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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CUB HIRES CHARLIE HIGLEY AS EXECUTIVE DIRECTOR

CUB is pleased to welcome Charlie Higley as new executive director. Charlie began his duties full-time in early November.

A hearty thank you and best wishes go out to Steve Hiniker, who served as CUB's executive director since 1998. Steve recently became the executive director of 1000

Friends of Wisconsin (Madison), which educates citizens and policy makers on the benefits of responsible land use.

Prior to joining the CUB staff, Charlie was energy program director for Wisconsin Energy Conservation Corporation (Madison), where he directed the Focus on Energy-Renewable Energy Program.

He has expertise in state & federal policies affecting the regulation of electric utilities, electric transmission systems, renewable energy, energy efficiency, fossil & nuclear fuels, and the environmental impacts due to energy production and use. He also has expertise in utility resource planning & analysis.

Charlie received his bachelor's degree in engineering physics from the University of Michigan-Ann Arbor, and his master's degree in urban & regional planning, with certificate in energy analysis and policy, from the University of Wisconsin-Madison.

"We are very excited that Charlie has joined CUB as executive director," said Geoff Hurta-do, president of CUB's board of directors.

"Charlie's years of experience advocating for progressive energy and telecommunications policies make him the top choice to direct CUB's fight for fair utility rates and practices



in Wisconsin. He will continue CUB's long tradition of integrity and high quality advocacy for the interests of Wisconsin's consumers and ratepayers."

Previously, Charlie worked for Public Citizen (Washington, D.C.), a national consumer advocacy organization founded by Ralph Nader, where he advocated for strong consumer rights and protections in energy legislation before Congress.

Charlie also was co-founder of Earth Energy Systems, where he worked with communities to reduce their reliance on imported fossil fuels by making their homes and businesses more energy efficient, and by developing local renewable energy resources.

He also worked as project manager for the Energy Center of Wisconsin, where he worked with utilities, regulators, private companies, and public interest organizations to develop and implement energy efficiency projects for residential and commercial customers.

Charlie has served on CUB's board of directors since 2001.





CUB Directors Nominated

Three directors are nominated for the CUB Board in this fall's election. The candidates have each submitted a brief biographical sketch for your review. Ballots for voting by our membership will be mailed by November 15th with the annual membership renewal notice. Ballots are due by December 15th, 2003.

Barb Notestein, Milwaukee

Barb is the Executive Director of Safe and Sound, a youth crime prevention program serving high crime neighborhoods in Milwaukee. Barb served as State Representative for the east side of Milwaukee for 14 years.

Una Van Du Vall, Milwaukee

Una is Deputy Director of the Northwest Side Community Development Corporation in Milwaukee. She also coordinates efforts of the Development Corporation involving over 200 businesses and countless residents in an effort to make Milwaukee a better place to live.

Don Wichert, Madison

Don is Chief of the Energy Resources Section in the State of Wisconsin's Division of Energy. He is a registered Professional Engineer in Wisconsin and has worked in the energy and environmental field for over 20 years.



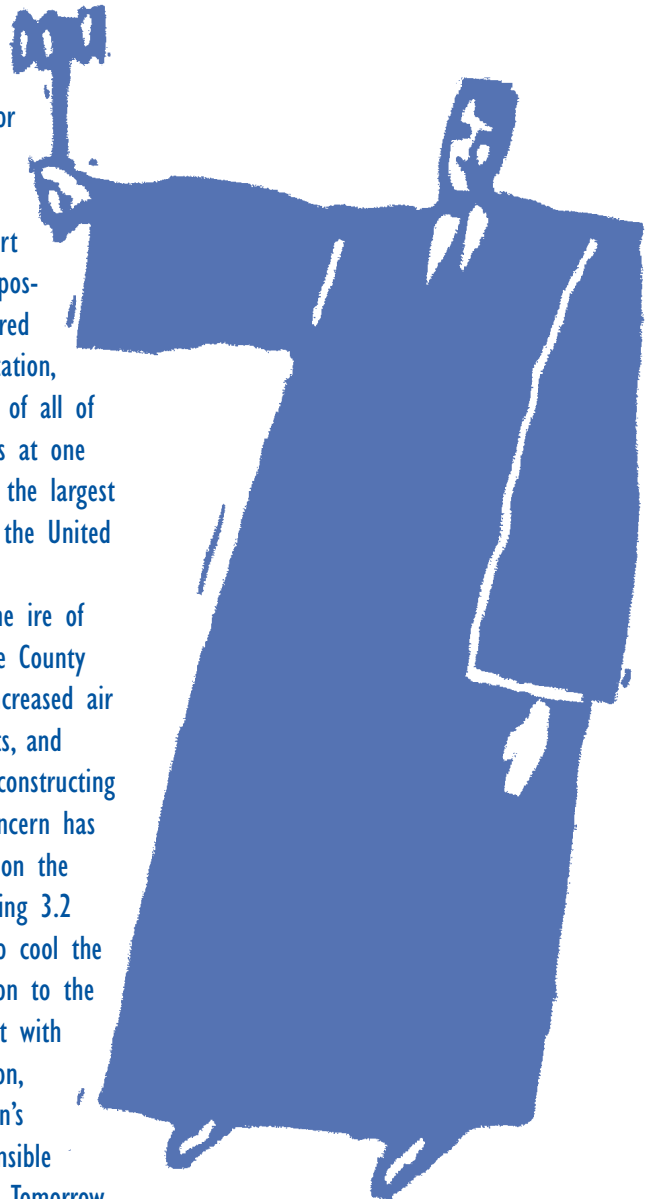
CUB Opposes We Energies Massive Coal Plant Project

CUB filed legal briefs with the Public Service Commission (PSC) in October opposing the construction of 1,800 megawatts of coal-fired power plants in Southeastern Wisconsin. CUB urged the Commission to deny We Energies application for authority to build the project, arguing that the \$4 billion dollar cost to construct the plants was too expensive, and that the PSC should consider less costly alternatives.

We Energies applied to the PSC for authority to construct three 600-megawatt coal plants at its Oak Creek site in Racine County as part of its Power the Future (PTF) proposal. The proposed new units, referred to as the Elm Road Generating Station, would concentrate more than half of all of the utility's large generating plants at one location, and would create one of the largest coal burning power plant sites in the United States.

The controversial proposal drew the ire of the majority of residents in Racine County who would be impacted by the increased air pollution caused by the coal plants, and environmental impacts caused by constructing the colossal coal station. Great concern has been expressed about the impact on the Lake Michigan fishery of withdrawing 3.2 billion gallons of water per day to cool the giant coal station. CUB's opposition to the multi-billion dollar project aligns it with the positions taken by S. C. Johnson, Clean Wisconsin (formerly Wisconsin's Environmental Decade), and Responsible Energy for Southeastern Wisconsin's Tomorrow. CUB's opposition to the \$4 billion project is based on analyses conducted by PSC staff

and technical experts experienced in the field of power plant economics. Their studies showed that the Elm Road coal plants would cost ratepayers at least \$50 million and as much as \$500 million more than the cost of other alternatives. Over spending so much on the utility's PTF proposal would be an economic disaster for consumers, and would drive industries from Wisconsin. The PSC is expected to issue its decision on We Energies proposal in November.

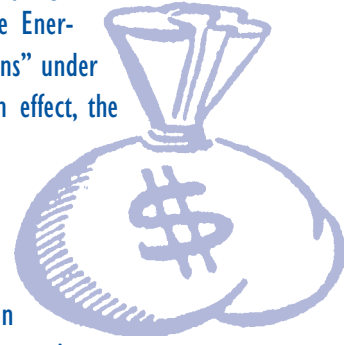


CUB SAVES WE ENERGIES CUSTOMERS \$1.25 MILLION

The Public Service Commission (PSC) recently approved CUB's request to reduce electric rates for We Energies customers by \$1.25 million. We Energies had included \$1.5 million in 2003 fuel costs for its Risk Management Program (RMP), which is designed to shield the utility from the price impact of spikes in the cost of natural gas used in its power plants. In an October decision, the PSC reduced funding for the RMP by \$1.25 million.

CUB argued to the PSC that current gas market conditions prevent the company from implementing the RMP in a cost-effective manner. We Energies RMP strategy is simply too expensive for the company to use in 2003. Several conditions dramatically increased price volatility in the gas market and will continue to do so for the remainder of the year. Specifically, near record-low underground gas storage levels, an uncertain winter temperature outlook, and potential nuclear power plant outages have combined to create this year's highly uncertain and volatile gas market.

The highly volatile nature of today's gas market actually works against We Energies plan to purchase "call options" under its risk management strategy. In effect, the extreme volatility of gas prices results in option premiums that are too expensive, and not worth the financial risk. CUB argued to the Commission that in extremely volatile markets, less expensive alternatives to reduce the risk of natural gas price spikes for power plant generation are available, and should be used by the utility. Because We Energies was not able to establish that it would be able to cost-effectively use its RMP in 2003, the Commission eliminated \$1.25 million from the company's rate increase request.



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