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Details:

(FORM UPDATED: 07/12/2010)

## WISCONSIN STATE LEGISLATURE ...
## PUBLIC HEARING - COMMITTEE RECORDS

# 2007-08

(session year)

# Senate

(Assembly, Senate or Joint)

# Committee on ... Commerce, Utilities and Rail
(SC-CUR)

## COMMITTEE NOTICES ...

- Committee Reports ... CR
- Executive Sessions ... ES
- Public Hearings ... PH
- Record of Comm. Proceedings ... RCP

## INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... Appt
- Clearinghouse Rules ... CRule
- Hearing Records ... bills and resolutions
  (ab = Assembly Bill) (ar = Assembly Resolution) (ajr = Assembly Joint Resolution)
  (sb = Senate Bill) (sr = Senate Resolution) (sjr = Senate Joint Resolution)
- Miscellaneous ... Misc

Wisconsin
Wind

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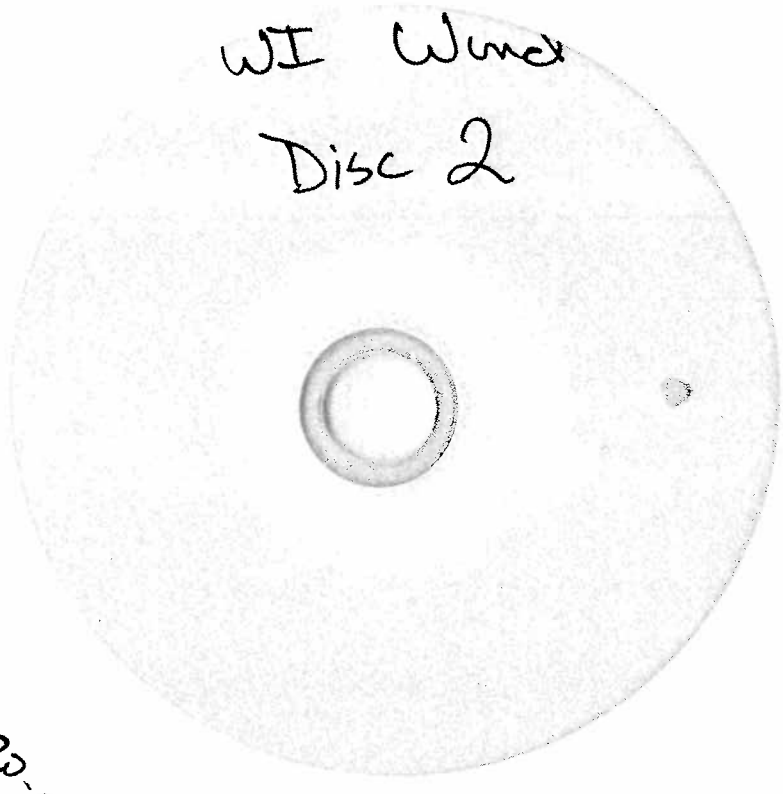
2007-08
SC-CUR



The Word
isn't Free
2007-08
Sr. CWR


FORWARD
E PLURIBUS UNUM

**Revisions to Rules on Electric Rate Changes Due to the Cost of Fuel, Docket 1-AC-224**

Until 1985, Wisconsin utilities were able to pass through actual fuel costs to customers by using a fuel adjustment clause (FAC). In 1985, due in part to concerns over the incentive for utilities to reduce costs, s. 196.20(4), Stats., was enacted which prohibited the use of the FAC for the large investor-owned utilities. Wis. Admin. Code chapter 116 (Fuel Rule) was promulgated, which aimed to strike a balance between the incentive for utilities to reduce fuel costs and the risk exposure for utilities. During the last ten years fuel costs have risen significantly and become more volatile. In 2002, the Fuel Rule was revised to incorporate changes in the industry and to allow changes in fuel costs to be reflected more quickly in rates. In 2006, concerned that the Fuel Rule may not be responsive to volatile fuel costs and structural changes in the electric industry, the Commission, in docket 1-AC-224, issued a Statement of Scope for the purpose of determining whether it may be appropriate to revise the Fuel Rule.

The utilities proposed changes to the Fuel Rule that would decrease the risk exposure and that would provide for an after-the-fact prudence review of fuel costs. They believed that the annual exposure for overcollection or undercollection of fuel costs should be limited to 1.0 percent and that amounts in excess should be subsequently returned to, or recovered from, customers in future rates. The customer group, consisting of CUB, WIEG, the Wisconsin Paper Council, and Wausau Paper Corporation, proposed changes to the Fuel Rule that would allow flexibility for the inclusion of appropriate Midwest ISO costs and that would expedite the rate increase process. They believed that greater use of deferred accounting treatment for unusual events would address some of the utilities' concerns and did not wish to diminish the utilities' incentive to reduce costs.

Under the proposed revisions to the Fuel Rule, the state's large investor-owned electric utilities are required to submit an annual fuel cost plan that forecasts, for a one year period, the cost of specified fuel items. These fuel costs include the cost of materials that are converted to electrical energy, as well as items and programs that offset the cost of, or provide less expensive alternatives to, those materials. The Commission reviews each utility's fuel cost plan and after a hearing, establishes rates. Differences between the fuel cost forecasted in rates and the actual cost are deferred to the extent that they exceed the fuel cost tolerance. The proposed rule establishes the fuel cost tolerance at plus, or minus, 2.0 percent, but allows the Commission the ability to set a different percentage when approving a utility's fuel cost plan. The rule provides for the Commission to reconcile the difference between the forecasted and the actual reasonable and prudently incurred fuel cost on an annual basis. After hearing, the Commission approves an adjustment to rates to implement this reconciliation. Also during a plan year, the Commission may adjust rates to avoid a reconciliation that causes a material change in rates. However, no utility may obtain a mid-year increase in rates under this provision more than once during a plan year. A hearing on the proposed revisions is scheduled for August 4, 2008 and Comments are due on August 6, 2008.


FORWARD
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# PSC 160 - Universal Service Fund (USF) Rules

Docket 1-AC-198

## Background

The existing rules in Wis. Admin. Code ch. PSC 160 were promulgated in 2000. The proposed revisions make adjustments to USF programs based on operating experiences during the past eight years. Many changes are proposed as necessary updates to make the programs more efficient and to clarify some requirements. The proposed rules also set minimum quality standards for data transmission and define the rules for eligibility for the designation of a provider as an eligible telecommunications carrier (ETC). The proposed rules do not change existing provisions that specify that wireless carriers can be assessed for and pay into the USF. (The Commission will be deciding coincident with this rules docket whether to lift a previously-imposed suspension of the assessment rules so that the wireless providers would start supporting the USF.)

## Highlights of USF Program Changes

- Lifeline and Link-Up changes are intended to clarify the discount provided to customers and enable customer choice on what telecommunication services that best fit their needs.
- Limits are established to the number of Link-Up discounts a customer can receive. This change is driven by budget constraints and the desire to not allow providers to receive excessive reimbursement amounts.
- SeniorCare is added as program that makes customers eligible for Lifeline and Link-Up. Other language is added to provide flexibility to add other federal programs to the eligibility list if necessary in the future.
- Administrative changes are proposed to improve program and budget management.

## Data Transmission Speed

- The proposed rules require only that all customers be able to obtain a minimal level of data transmission capability, in some usable form, from some provider.
- There is clear evidence from hearings, testimony, etc., that the market is not meeting the demand.
- Statutes require the Commission to define a minimum transmission speed capability.
- The proposed rules do not "regulate the Internet" or regulate Internet access in any way.
- The proposed rules are technology neutral and do not require any provider to offer any specific technology.
- The proposed rules include waiver provisions if costs do not justify deployment of higher transmission capabilities.

## ETC Requirements

- The FCC Order and Guidelines for ETC requirements are general, vague and sometimes contradictory; however, the FCC relies on states to clarify and define what each state requires of its providers so that the state is able to confidently designate a provider as an ETC.
- The proposed rules define and reconcile the FCC language with existing PSCW mandates.
- The proposed rules are technologically and provider neutral, and apply – uniformly – to all ETCs.
- Wherever possible, annual ETC compliance is through existing state or Federal filings
- The proposed rules for ETC designation require a payphone in each municipality but do so in a market neutral way. The proposed rules do not block market entry or exit, nor require any provider to offer pay phones.


FORWARD
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# PUBLIC SERVICE COMMISSION OF WISCONSIN

## Memorandum

John Sunki stopped by on Friday - he's available to talk to you or Jeff about the report if you'd like.
608-252-7962

September 18, 2008

**FOR COMMISSION INFORMATION**

TO: The Commission

FROM: Robert Norcross, Administrator RON
Scot Cullen, Chief Engineer SC
Gas and Energy Division

RE: Commission Staff Report of August 22, 2007, Multiple Fatality Incident involving Lightning Strike on Madison Gas and Electric Company Electric Distribution Line North Sherman Avenue, Madison, Wisconsin

File 3270

**Background**

On Wednesday, August 22, 2007, at approximately 4:00 p.m. during a thunderstorm and heavy rainfall, lightning struck a Madison Gas and Electric Company (MGE) overhead electric distribution line on the east side of Sherman Avenue across from Warner Park in Madison. One phase conductor of the 4 kilovolt (kV) 3-phase electric distribution line was severed at the pole directly south of 2817 North Sherman Avenue when lightning struck the conductor at that pole. As a result, the line fell into standing water on the sidewalk and terrace just north of that pole in the vicinity of a bus stop on North Sherman Avenue.

According to Madison Police Department reports resulting from its investigation, Lakeisha Dancy, Ms. Dancy's two-year-old daughter, and her seven-year-old son had been waiting at the bus stop during that time. As Ms. Dancy went to board the bus holding her daughter in her arms, both she and her daughter were electrocuted due to the energized, downed power line, resulting in their deaths. Ms. Dancy's seven-year-old son was also injured as a result of the

downed power line, but was pulled onto the bus by a passenger. Another individual, Demetrius Dobbs, exited the bus to attempt to help the victims, but in the process, was also fatally electrocuted. The bus driver, who also attempted to render aid, suffered minor injuries.

The purpose of this report is to address the design and operation of MGE's electric distribution line on North Sherman Avenue; whether appropriate over-current protective devices were installed on that line; whether the over-current protection was set appropriately; whether the over-current protection operated correctly at the time of and subsequent to the lightning strike; and what could be done to prevent similar fatalities in the future. Wis. Admin. Code § PSC 104.05(1) requires Wisconsin public utilities to report all fatal accidents resulting from functions directly connected with the furnishing of service by the utility. MGE reported the fatalities by telephone to Commission staff on August 23, 2007, followed by its written summary of the incident filed August 29, 2007.

By letter dated August 31, 2007, Commission staff requested additional detailed information from MGE relative to the incident. MGE responded to staff's information request by letter dated September 14, 2007.

Both MGE's initial report and its response to staff's August 31, 2007, information request are exempt from public disclosure pursuant to Wis. Stat. § 196.72(1)(b) which provides:

> **196.72 Accidents; public utility report; investigation.**
>
> **(1)...**
>
> (b) Notwithstanding any statute to the contrary, any report filed with the commission under par. (a) shall be without prejudice to the person making the report and shall be for the sole information and use of the commission and its staff. Neither the report nor its content may be made available to any other person. The report may not be used as evidence in any trial, civil or criminal, arising out of the event concerning which the report is submitted.

With respect to the information MGE provided to the Commission that has been incorporated into this report, MGE has waived confidentiality.

Staff conducted a field inspection of the incident scene and of the electric distribution facilities in the vicinity of the incident. However, staff did not inspect the downed conductor and associated cross-arm, insulator, cross-arm bracket and bolt, and connecting wire that were struck by lightning because those items were collected and taken for investigation by law enforcement authorities.

**MGE Electric Distribution Facilities at 2817 North Sherman Avenue**

The electric distribution poles along North Sherman Avenue near Warner Park hold two MGE electric distribution circuits. One circuit is a 13,800 volt (13.8 kV) 3-phase circuit, comprised of three phase conductors and a neutral conductor. The phase conductors for the 13.8 kV circuit are installed on the upper cross-arm on these poles. The second circuit, installed on the lower cross-arm, is a 4 kV 3-phase circuit comprised of three phase conductors and a neutral conductor. The neutral conductor on the lower cross-arm serves as the neutral conductor for both the 13.8 kV and the 4 kV circuits. These two circuits supply electricity to customers in and around the Warner Park area and are fed from the Lakeview Substation located on Sherman Avenue about two blocks north of Northport Drive. The electric distribution poles along North Sherman Avenue also hold a communications line installed on brackets attached directly to the poles several feet below the electric circuits.

Lakeview Substation is fed from the Huiskamp Substation located about 2.5 miles to the northwest just north of the intersection of State Highway (STH) 13 and County Trunk

Highway (CTH) M. The 4 kV circuit (known as Lakeview 451) contains a circuit breaker[1] located at the Lakeview Substation along with over-current and reclosing relays.[2] This circuit also contains fuses[3] on downstream lateral branches of the circuit. There are no fuses or re-closers on the portion of this circuit located between the substation and the point of the lightning strike because of the short distance between these two points. Lightning arrestors[4] are also in place on the pole tops on this line. Collectively, these devices are intended to protect the circuit from current overloads, lightning strikes, and short-circuit faults, and to restore the circuit once the lightning surge or short-circuit fault[5] is cleared.

The circuit breaker and associated relays on Lakeview 451 are designed to detect instantaneous surges that will trip (de-energize) the circuit instantaneously if the current exceeds 3,200 amperes (amps), the level of which could be caused by a direct lightning strike. The re-closer relay is also set to re-check the current on the circuit after 15 seconds and again at 45 seconds after the initial trip to determine whether the current surge has been dissipated. On Lakeview 451, the breaker re-closer is set to re-energize the circuit if the current on the conductor is less than 960 amperes which is the level of current for the transformer to operate at full capacity.

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[1] Circuit breakers mechanically open contacts when an over-current fault is detected. Control decisions to open and reclose a circuit breaker are commonly performed by relays.

[2] Over-current relays detect undesired levels of current and provide a signal to employ interruption of the protected circuit. Re-closing relays automatically sense and interrupt fault currents, and then attempt to re-close and energize the line. They have a predetermined sequence of opening and re-closing followed by resetting, hold close, or lockout.

[3] Fuses are the most basic, most common, most reliable, and most cost effective device used to protect distribution circuits. (Burke, p. 101) Fuses operate when current destroys the fuse element that normally conducts electricity.

[4] Lightning or surge arrestors are devices that do not conduct current at normal voltage levels but act like a short circuit to ground under a lightning strike or surge event. They are used to protect conductors, transformers and other equipment susceptible to permanent damage from lightning.

[5] ANSI/IEEE (Std. 100-1992) defines a "fault" as: A physical condition that causes a device, component, or an element to fail to perform in a required manner. Typically, this is either a short circuit from an energized phase to ground or from an energized phase to another energized phase.

**Operation of the Lakeview 451 Circuit at the Time of the Incident**

At approximately 3:56 p.m. on August 22, 2007, lightning struck the pole located about 100 feet south of the bus stop at 2817 North Sherman Avenue, severing the C-phase conductor on the Lakeview 451 electric distribution circuit. (The three phase conductors of the circuit are depicted as the A-phase, B-phase and C-phase.) Upon being severed, the conductor fell to the ground in both directions from the struck pole. The conductor to the south of the struck pole was instantly de-energized because it was no longer connected to the Lakeview Substation power source. The severed conductor to the north of the struck pole remained connected to the Lakeview Substation. It fell to the ground along the terrace and sidewalk at the bus stop, reportedly into standing water due to the heavy rains in the area at that time.

Data from MGE's Supervisory Control and Data Acquisition (SCADA) equipment[6] shows, among other circuit data, the current flow on each conductor of the Lakeview 451 circuit. Such data is recorded at 16 second intervals. Because the SCADA data is not continuous, it does not depict the exact time of the lightning strike. However, it corroborates that lightning struck Lakeview 451 between 3:56:48 p.m. and 3:57:04 p.m. on August 22, 2007.

SCADA data also indicates that the Lakeview 451 circuit breaker instantaneously opened, re-closed, and again re-opened the C-phase of the circuit at the time of the lightning strike. "Opening" the circuit means that the circuit is de-energized. "Opening" the circuit is also commonly referred to as "tripping" the circuit. The re-closing relay then operated the circuit breaker to re-energize, or close, the C-phase of the circuit at 15 seconds after the initial trip when the re-closing relay determined, and at which time SCADA records confirm, that the current returned to a magnitude within the operating range of that conductor. MGE reported that it

[6] SCADA is data acquisition and control equipment used by utilities to remotely operate their production and delivery systems.

field-inspected the Lakeview 451 relays later on the day of the accident and found they were set and functioning properly.

Although the SCADA records indicate the conductor that fell near the bus stop was re-energized at about 15 seconds after the lightning strike, it is not clear from the available records whether the line was energized when it hit the ground or if it was already on the ground when it became re-energized. In either case, records show that the line stayed energized until approximately 4:22 p.m., approximately 26 minutes after the lightning strike, when MGE crews manually opened circuit breakers at the Huiskamp Substation on the circuits feeding the Lakeview Substation, thus de-energizing the 4 kV and 13.8 kV circuits on North Sherman Avenue as well as other distribution lines in the area. MGE reported that it received the first call from the 9-1-1 dispatcher about 18 minutes after the lightning strike. According to MGE's dispatch logs, the C-phase conductor on Lakeview 451 was de-energized at just under 8 minutes from the time MGE received the first call from the 9-1-1 dispatcher. MGE reports that its crews arrived at the incident scene and rendered the site safe, just under 8 minutes after that, thus allowing emergency responders access to the site, for a total elapsed time of about 16 minutes after MGE received the first call from the 9-1-1 dispatcher and approximately 34 minutes after the lightning strike.

**Discussion and Observations**

In reviewing the circumstances of the August 22, 2007, fatalities on North Sherman Avenue, the primary question is why the power line stayed energized once it fell to the ground. A common misconception is that a power line falling to the ground, and especially onto wet ground or even into standing water as was the situation on August 22, will certainly cause the circuit breaker to trip the circuit. However, such is not necessarily, or even commonly, the case.

It should never be assumed that a downed power line is not "live," as evidenced by many reports of wind storms or vehicle accidents resulting in downed power lines where the power lines remain energized. Tragically, that was the case on August 22 on North Sherman Avenue.

For a circuit to trip when a power line falls to ground, the ground fault current would need to exceed the trip settings on the circuit breaker, re-closer, or fuse. In technical terminology, the factor controlling the amount of current flowing in a fault to ground is referred to as "fault impedance" which means the resistance to the flow of the fault current. Lower impedance results in higher current flow. Conversely, higher impedance results in lower current flow. High impedance faults are particularly dangerous because the fault current can be very similar to current produced by normal load, which would be too low to operate typical over-current protective devices. High impedance fault current magnitudes may range from 0 amps on dry asphalt to 50 amps on wet grass according to technical references. (Short, p. 350) MGE's SCADA records show that the fault current flowing on the C-phase conductor of Lakeview 451 at the time of the incident was in the range of up to 300 amps. This current level was higher than the typically-expected range of high impedance fault current as referenced but significantly lower than the circuit breaker setting (960 amps), and thus, the breaker did not operate to de-energize the line. To address the question of whether the circuit protection was appropriate, one needs to consider design practice in the electric industry as to the selection, placement, and settings of circuit protection devices. Typical practice in the electric industry is to equip electric distribution lines with circuit protection equipment such as circuit breakers, over-current relays, re-closers, and fuses, in various combinations depending on the specific distribution line service characteristics. These types of devices allow electricity to flow until a fault is detected, then operate to stop, or interrupt, the flow of electricity on the

circuit. Such interruption is also commonly referred to as breaking, opening, or tripping the circuit.

Industry practice in designing circuit protection is to incorporate combinations of the types of devices noted above such that all or portions of the distribution line will open under conditions of over-current caused by a lightning strike or a short-circuit fault but will then re-close automatically when the surge is dissipated or the short-circuit fault is removed. For example, an over-current relay may open a circuit when it detects a short-circuit fault caused by a tree branch falling across two conductors but a re-closer will close, or re-energize, the circuit if it subsequently determines that the fault has been removed (*i.e.*, if the branch has fallen away from the line).

If the circuit protection is set to open the circuit at current levels too close to or less than normal operating conditions, customers served from that line will experience unnecessary service outages and the utility will incur corresponding expenses to inspect the line for faults and to manually place the line back into service.

Circuit protection is typically designed to open (meaning to de-energize) a circuit to protect people, system components, and customer-owned equipment served by the circuit from damaging lightning surges and short-circuit faults. It is also typically designed to restore the circuit to normal operation once a surge or short-circuit fault is cleared such that current on the circuit is returned to normally-expected levels. Properly designed circuit protection will open the circuit to avoid equipment damage due to over-current including lightning strikes while allowing the circuit to operate when the current (or load) is within normal levels.

The proper circuit breaker and re-closer settings for each circuit should accommodate the expected customer loads on the circuit, including normally-expected peak demand as well as the

short-term high current needed by equipment, such as motors, to either start up or to return to normal operation after cycle interruptions. Normally-expected demand includes customer loads directly connected to the circuit as well as loads connected to other circuit branches that are interconnected through normally-open switches that may be closed under certain conditions to provide a backup power source for the neighboring circuit. The circuit breaker and relays in place on Lakeview 451 are consistent with distribution line design practice commonly found throughout the electric industry and are considered reasonable protective devices and settings for a circuit of this size and type.

**Potential Improvements to Prevent Future Incidents**

On the question of what changes could be made to eliminate or minimize the likelihood of a recurrence of this type of incident, one could consider the following:

1. Add further circuit protection and/or change the settings on existing equipment to reduce the current level at which the circuit would trip;
2. Place electric lines underground; or,
3. Utilize advanced technology devices for circuit protection that would be able to better detect fault currents that are undetectable with conventional equipment.

Each of the above described initiatives would come with tradeoffs relative to cost, reliability, and operational feasibility.

Adding circuit protection devices such as relays or fuses to the circuit, or changing the settings on existing devices, could be done to reduce the current level at which the circuit would trip. This could accomplish the objective of de-energizing a circuit under conditions of a high impedance fault such as the North Sherman Avenue incident. However, in order to avoid the type of incident that occurred on North Sherman Avenue, the devices would have to be changed

to settings so low that they could cause tripping of the circuit under conditions of normal operations at times of heavy customer demand. Such outages would likely be unacceptable to customers, would likely be viewed as unreliable service, and could result in economic production or business losses for commercial and industrial customers.

Placing new, or even existing, electric distribution lines underground is technically feasible. Underground electric lines certainly reduce exposure to contact with energized conductors, although such exposure would still exist for anyone excavating in close proximity to underground electric lines. The primary consideration for burying electric lines is cost, with a secondary consideration being ease of maintenance and repair. The cost of undergrounding a new electric distribution line would likely be somewhat or substantially greater than constructing an overhead line, depending on the specific circumstances of the project. For a new line, the incremental cost may be relatively low in that it would be the difference in cost between constructing the line underground compared to constructing it overhead. However, for existing lines, the cost would be substantial in that it would be the entire cost of replacing an existing line and constructing it underground, rather than just the incremental difference. Also, there is a reliability tradeoff with underground distribution facilities. Underground distribution lines typically experience fewer outages as compared to overhead lines; however, underground line failures typically take longer to locate and repair.

Regarding advanced technology, there are devices available that are able to detect high impedance fault conditions as differentiated from normal heavy customer load through the use of electronic logic programming. Such devices could be used in combination with conventional circuit protection devices to identify fault situations like a downed conductor and then trip the circuit. Commission staff's review of this technology, however, indicates that the time required

for this type of device to operate while maintaining a high degree of security (which means minimal false trips) would likely be in the range 2 to 40 minutes. With that magnitude of time to operate, it is not likely that this type of device would have prevented the North Sherman Avenue fatalities.

**Conclusion**

Commission staff's review of the design and operation of MGE's Lakeview 451 circuit indicates that the circuit protection devices installed on this circuit are consistent with typical industry practice. Additional circuit protection devices using conventional or advanced technology could be employed but they would result in either an unreasonable frequency of outages at normal customer demand levels or would not operate in time to prevent the type of incident that occurred on North Sherman Avenue. Existing distribution lines could be buried, but the cost of doing so would likely be viewed as unreasonable; and repairs, although less frequent, would likely be more costly and restoration could take longer. Accordingly, staff sees no basis for further action by the Commission to require MGE to make changes to its normal system design practices or, specifically, to the configuration of the Lakeview 451 circuit.

**References**

Burke, James J., *Power Distribution Engineering*, Marcel Dekker, Inc., 1994.

Short, T. A., *Electric Power Distribution Handbook*, CRC Press, 2004.

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FORWARD
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# Public Service Commission of Wisconsin

Eric Callisto, Chairperson
Mark Meyer, Commissioner
Lauren Azar, Commissioner

610 North Whitney Way
P.O. Box 7854
Madison, WI 53707-7854

**For Immediate Release – November 6, 2008**
Contact: Timothy Le Monds or Teresa Smith, (608) 266-9600

## PSC Rejects Wisconsin Power and Light's Proposed Coal Power Plant

MADISON – In a unanimous decision today, the Public Service Commission of Wisconsin (PSC) denied Wisconsin Power and Light's plan to build a new 300 megawatt coal-fired electric generation facility at either their Nelson Dewey Generating Station property in Cassville or the Columbia Energy Center in Portage.

The PSC decided that the $1.26 billion project was too costly when weighing it against other alternatives such as natural gas generation and the possibility of purchasing power from existing sources. Concerns over construction costs and uncertainty over the costs of complying with future possible carbon dioxide regulations were all contributing factors to the denial.

The PSC acknowledged that Wisconsin Power and Light's effort to burn up to 20 percent renewable biomass at the Nelson Dewey sit was laudable, but it found that the cumulative costs and risk associated with the project were unacceptable to the utility's ratepayers.

"We are at a unique juncture in this country, and in Wisconsin, and decisions regarding new sources of electric generation need to account for the likely future costs of complying with constraints on carbon emissions," said Chairperson Eric Callisto. "The costs of this plant in relation to its risk and the more affordable options currently available to Wisconsin Power and Light were important factors in my decision. Cheaper, cleaner options are out there, and I encourage the utility to move on them quickly. I look forward to reviewing other projects in Wisconsin that take advantage of the state's biomass resource without the risk associated with this project."

"Having attended the hearing in Cassville, I know how important this proposal is to the people of that community" said Commissioner Lauren Azar. "However, a community's desire for this plant cannot overcome the fact that the Nelson Dewey proposal is not cost effective, is inconsistent with Wisconsin's energy priorities and does not provide the flexibility we need to deal with our uncertain energy future."

"The proposed plant it is not in the public interest," said Commissioner Mark Meyer. "The record clearly demonstrates that there are alternatives that are more economically and environmentally sound. I look forward to WP&L keeping its commitment to energy efficiency, renewable energy and biomass fuels as it seeks to meet the energy need demonstrated in this case."

-more-

Wisconsin Power and Light filed an application with the PSC for permission to build the new 300 megawatt coal-fired electric generation facility in early 2007. The utility indentified two possible locations for the power plant – their Nelson Dewey Generating Station property in Cassville and the Columbia Energy Center in Portage. The PSC has the authority to approve, deny or modify any electric construction project proposed by a utility. The PSC held public hearings on the project in September and offered opportunity for the public to comment on all aspects of the proposal.

Documents associated with WP&L's application can be viewed on the PSC's Electronic Regulatory Filing System at http://psc.wi.gov/. Type case numbers 6680-CE-170 in the boxes provided on the PSC homepage, or click on the Electronic Regulatory Filing System button.

(END)


FORWARD
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JOURNAL INTERACTIVE

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Business

# PSC rejects Alliant Energy's proposed coal plant

By Thomas Content of the Journal Sentinel

Posted: Nov. 11, 2008

Alliant Energy Corp. executives hoped that a need for jobs and homegrown energy crops would trump concerns about global warming when it came time for regulators to decide the fate of a proposed $1.3 billion coal plant.

But climate concerns won out Tuesday when state regulators voted unanimously to reject Alliant's plan to build a coal and biomass power plant on the Mississippi River in Cassville.

The decision means Alliant may instead upgrade one of its natural gas-fired power plants to produce more electricity, as well as expand use of wind power. Another option: approaching We Energies of Milwaukee to buy a share of the energy to be produced at the Milwaukee utility's new coal plant under construction in Oak Creek.

The state Public Service Commission ruling underscores the dramatic changes that have taken place in energy policy as the state and Congress have moved closer to enacting regulations designed to reduce emissions of greenhouse gases.

Expect more decisions like this, because coal-fired power will be more expensive in a carbon-constrained world, said Bruce Nilles of the Sierra Club, noting that Wisconsin's was the first decision on a coal plant since the presidential election victory of Barack Obama.

"It sends a very powerful message that after eight long years of delay, commissions and others are in power to really take global warming seriously and really change the landscape from the old way of doing business," said Nilles, who leads a national Sierra Club campaign to stop construction of coal plants.

## PSC worried about costs

Along with vehicle tailpipes, coal-fired power plants are a primary source of heat-trapping carbon dioxide - the leading greenhouse gas.

At their meeting in Madison on Tuesday, commissioners said the project's $1.3 billion price tag and concerns about global warming were key factors in their decision to reject the proposal to build a 300-megawatt coal plant in Cassville or Portage.

"We are at a unique juncture in this country, and in Wisconsin, and decisions regarding new sources of electric generation need to account for the likely future costs of complying with constraints on carbon emissions," said Eric Callisto, commission chairman.

Commissioner Mark Meyer said he was not "closing the door" on ever approving a coal plant again in the state.

"But it's going to be hard," said Charlie Higley, executive director of the Citizens' Utility Board, a customer group. "If Congress or the Midwest states impose regulations on greenhouse gases, it will be hard to build a coal plant in Wisconsin."

The likelihood of congressional action on global warming is expected to raise the price of energy produced by fossil fuel plants, which in turn will make power generated from renewable sources such as wind turbines more cost-competitive.

Alliant had noted in its testimony that carbon dioxide and other greenhouse gases are not yet regulated pollutants, despite a growing push on the state and national levels to tackle global warming.

Alliant Energy Corp. spokesman Rob Crain said the utility was disappointed but is prepared to move on.

"We put forward the plan that we felt was best for the customers and the state as a whole, and the commission pretty clearly felt that there were other ways to best meet those needs," he said. "We look forward to working with the commission to determine what the best route going forward will be."

A final decision on whether to challenge the PSC's ruling will wait until after the agency issues a written decision, but Crain said an appeal is unlikely.

Alliant had proposed the plant to reduce its reliance on natural gas and purchased power, as its fleet of coal-fired power plants is 40 years old on average. The utility said the plant was needed to meet a rising demand for electricity and to create jobs in Grant County.

The utility had built an unusual coalition of farm groups and some conservation groups, such as the Wisconsin Wildlife Federation and Pheasants Forever, which liked the utility's proposal to burn wood, switchgrass and possibly prairie grasses for up to 20% of the energy that would be produced at the plant.

## Unusual group of foes

But the utility also found unusual opposition: Papermakers and other manufacturers that have supported coal plants in the past said the project was too expensive. The $1.3 billion price tag had increased nearly 60% since early 2007 because of rising construction costs.

Callisto agreed, saying that Alliant was quick to point out the economic development opportunities presented by the plant but was overlooking the added cost customers would pay for electricity if the plant were approved.

At the same time, Callisto and other commissioners dismissed as window-dressing Alliant's proposal - announced this summer, late in the regulatory review process - to offset the greenhouse gas emissions from the plant with other measures.

A similar pledge in Iowa helped Alliant persuade that state's regulators to endorse construction of a coal

plant in Marshalltown.

But Wisconsin's commissioners said many of Alliant's "carbon-offset" proposals were commitments that the company already had pledged to make, such as expanding its use of wind power.

"I saw it as smoke and mirrors," commissioner Lauren Azar said.

The goal of the state's global warming task force, commissioner Meyer said, is to reduce emissions, not merely offset them.

The decision was a victory for the environmental group Clean Wisconsin, three years after it lost a state Supreme Court decision that allowed Milwaukee-based We Energies to start building two coal-fired power plants in Oak Creek. That $2.3 billion project is scheduled to begin generating power at the end of 2009.

"It shows that we're at a point in the state where we're taking a long, hard look at coal plant proposals because we need to be cognizant of impending carbon regulation and the cost of that," said Katie Nekola, energy program director at Clean Wisconsin. "It just shows that we're in a new era in terms of energy production."

The proposal was rejected despite overwhelming support from Grant County and Cassville in particular, commissioners said.

"In today's world, it is unusual for a community to welcome a coal plant with open arms, and that is exactly what the people of Cassville did," Azar said.


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# Cost, biofuels smudge lines in debate on coal-fired power plant

By Thomas Content of the Journal Sentinel

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**Cassville** — Lawrence Roe seems an unlikely opponent of the $1.3 billion coal-fired power plant Alliant Energy Corp. wants to build in Wisconsin's southwest corner. A 1933 graduate of Cassville High and a retired mining engineer, he was a vocal supporter of the Crandon mine, a controversial project opposed by conservationists.

Yet as he sits on a bench in a park nestled between two other coal plants, Roe looks out at the Mississippi River and makes it clear he opposes this plan to build yet another coal-fired plant. He fears more pollution, and wants his boyhood town to build its future on tourism - attracting birdwatchers and other lovers of nature and the outdoors.

"I really feel that coal will slowly fade out of the picture," he said. "I hope this is turned down, I really do - to preserve what we've got."

Roe is but one example of what has turned out to be an unusual coal plant debate, taking place during a time of growing concern about emissions linked to global warming and concerns about whether the project is too expensive given a slowing economy.

Some business groups that have endorsed the construction of coal plants in the past - because the energy they produce could be comparatively cheap - are opposed to the Alliant project, arguing it has simply grown too expensive.

At the same time, some conservationists who have spoken out against other energy projects because of their potential disruption of the environment are supporting the Alliant proposal, because the new plant would burn not only coal but also wood waste, switchgrass and cornstalks - homegrown energy crops that could help preserve habitat for prairie chickens and pheasants.

The debate has been waged in radio advertising campaigns in Madison, at public hearings and in thousands of pages of legal briefs filed on all sides.

The state Public Service Commission is expected to rule Tuesday on whether the plant can be built.

## Much has changed

In some respects, the situation is similar to others the commission has faced in recent years - for instance, when it ultimately allowed construction of new coal-fired power plants near Wausau and Milwaukee.

But a lot has changed since those plants were approved, including last week's election of President-elect Barack Obama, who has vowed to take action to reduce greenhouse gas emissions, as well as an economic crisis that could make it more difficult for Alliant to borrow money to build the plant.

David Parker, a utility analyst with Robert W. Baird & Co., thinks Alliant has a 50-50 chance of success Tuesday.

Parker says the project makes sense, particularly because construction costs may ease with the economic slowdown. But Obama's emphasis on limiting emissions of carbon dioxide, a primary cause of global warming, could result in higher costs for Alliant's coal plants in the long run, Parker said.

"The uncertainty over the CO2 (carbon dioxide) issue was leaving them in a very difficult position, and with a new president those fears have not changed, and may have accelerated," Parker said. "Within a few years, we may have legislation that will result in a cost for CO2."

Concerns about global warming and a desire for cleaner energy sources have driven much of the opposition from members of Clean Wisconsin, who testified at public hearings in September in Cassville and Portage, Alliant's alternative site for the plant.

"This really is about the future of coal in Wisconsin," said Katie Nekola, Clean Wisconsin's energy program director.

For its part, Alliant is stressing economic development issues, including the project's ability to create hundreds of construction jobs as well as provide a boost for a rural economy through the cultivation of energy crops such as switchgrass.

Key business groups, such as the Wisconsin Paper Council, have endorsed coal plants in the past because coal is cheaper than natural gas and more efficient than wind power.

But the paper council and the Wisconsin Industrial Energy Group have come out against the Alliant plan, citing a price tag that has risen by 58% in less than two years.

On the other side is George Meyer, the former secretary of the state Department of Natural Resources and executive director of the Wisconsin Wildlife Federation. Meyer has spoken out against construction of other energy projects, including the 220-mile power line that crosses northwestern Wisconsin. But he is an outspoken supporter of the Cassville plant.

Its ability to burn alternative fuels - including wood from Grant County forests and switchgrass - made the difference.

"That will have very substantial benefits for fish and wildlife habitat in southwestern Wisconsin," Meyer said.

Alliant recently warned investors that its electricity sales would slow for the next 12 to 18 months because of the recession, a downturn that already has caused two of the utility's 10 largest customers to announce plans to shut their doors and turn off the lights.

"This is still absolutely the right project for these economic times," said Barbara Swan, president of Wisconsin Power & Light Co., the Madison-based subsidiary of Alliant.

The project not only will create hundreds of construction jobs, it will jumpstart a homegrown energy economy through the development of jobs growing, harvesting, processing and transporting wood, switchgrass and cornstalks to the power plant, she said.

## Farmers get on board

In Cassville, where Roe sees a future in capitalizing on the region's natural wonders instead of coal plants, Scott Lenz looks out at the river and points out an eagle's nest directly across the Mississippi from Alliant's existing plant. Lenz works part time loading coal from barges that come up the Mississippi to serve the power plant.

The town will be overwhelmed with construction workers if a new plant is approved, he said - but the jobs are needed.

"I hope they get it," Lenz said. "It'd probably help the town out a lot."

Local farmers also are hoping the plant gets built.

"This is something that would be good for this area," said Rocky Skemp, whose Platteville farm is hosting a test plot of switchgrass that could pave the way for more energy crops to be grown in the rolling farmlands of southwest Wisconsin.

"Some people don't like coal, and I probably agree with that," he said. "But if they're going to go and generate biomass together with it, it's probably a good thing."

The slowing economy is creating other concerns for Alliant, which also is seeking to build a coal plant in Iowa. In particular, the credit crisis has made it more expensive to borrow money for major projects.

"Financing these plants has gotten a lot more difficult during the period of time that this project has been within the regulatory process," said Bill Harvey, Alliant's chairman and chief executive.

Harvey said that difficulty underscores the need for regulators, if they approve the plant, to provide the utility with a big enough return on its investment to allow the project to proceed toward construction.

Opponents say the economic crisis and rising borrowing costs underscore a need for Alliant to "go back to the drawing board," said Charlie Higley, executive director of the Wisconsin Citizens' Utility Board.

Wisconsin regulators have been consistent in supporting utility proposals for new power plants over the past decade, but the timing has changed, and Gov. Jim Doyle, who has supported coal plants in the past, has taken a leadership role across the Midwest in drafting a plan to bring down greenhouse gas emissions.

Given the Public Service Commission's track record, Higley said he is nervous about how it will rule.

Harvey, the Alliant CEO, said he is guardedly optimistic.

"It'd be facetious on my part to suggest that this is a no-brainer decision," Harvey said. "It's a decision

that was considerably easier two years ago than it is today."

## About Alliant

•&enspAlliant Energy Corp. is a Fortune 1000 utility holding company based in Madison, serving customers in Wisconsin, Iowa and Minnesota.

•&enspIts Wisconsin utility, Wisconsin Power & Light Co., serves 450,000 electric and 175,000 natural gas customers in southwest, south-central and eastern Wisconsin

•&enspThe company operates coal and natural gas power plants across the state and is in the process of building the Cedar Ridge wind farm in Fond du Lac County.

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