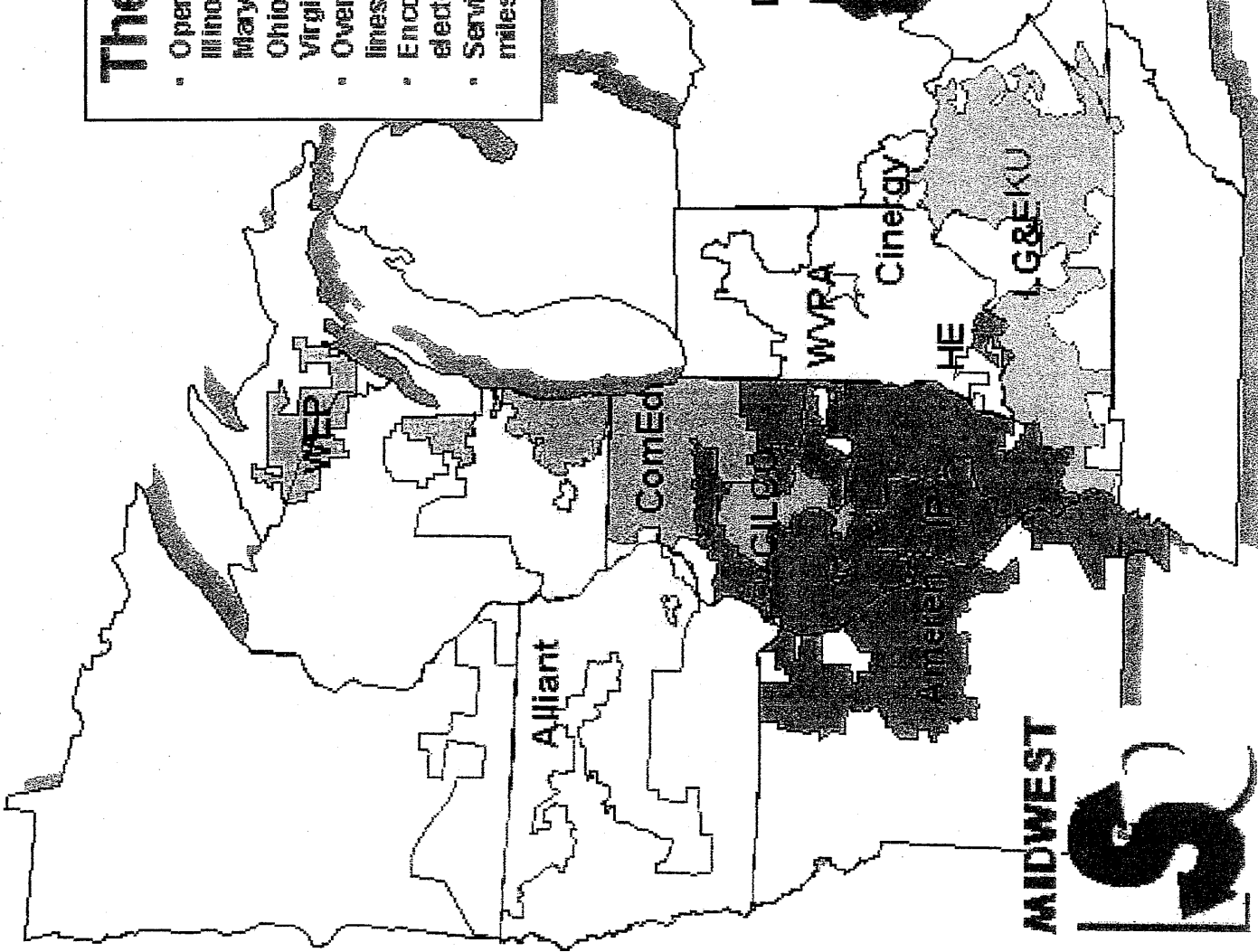


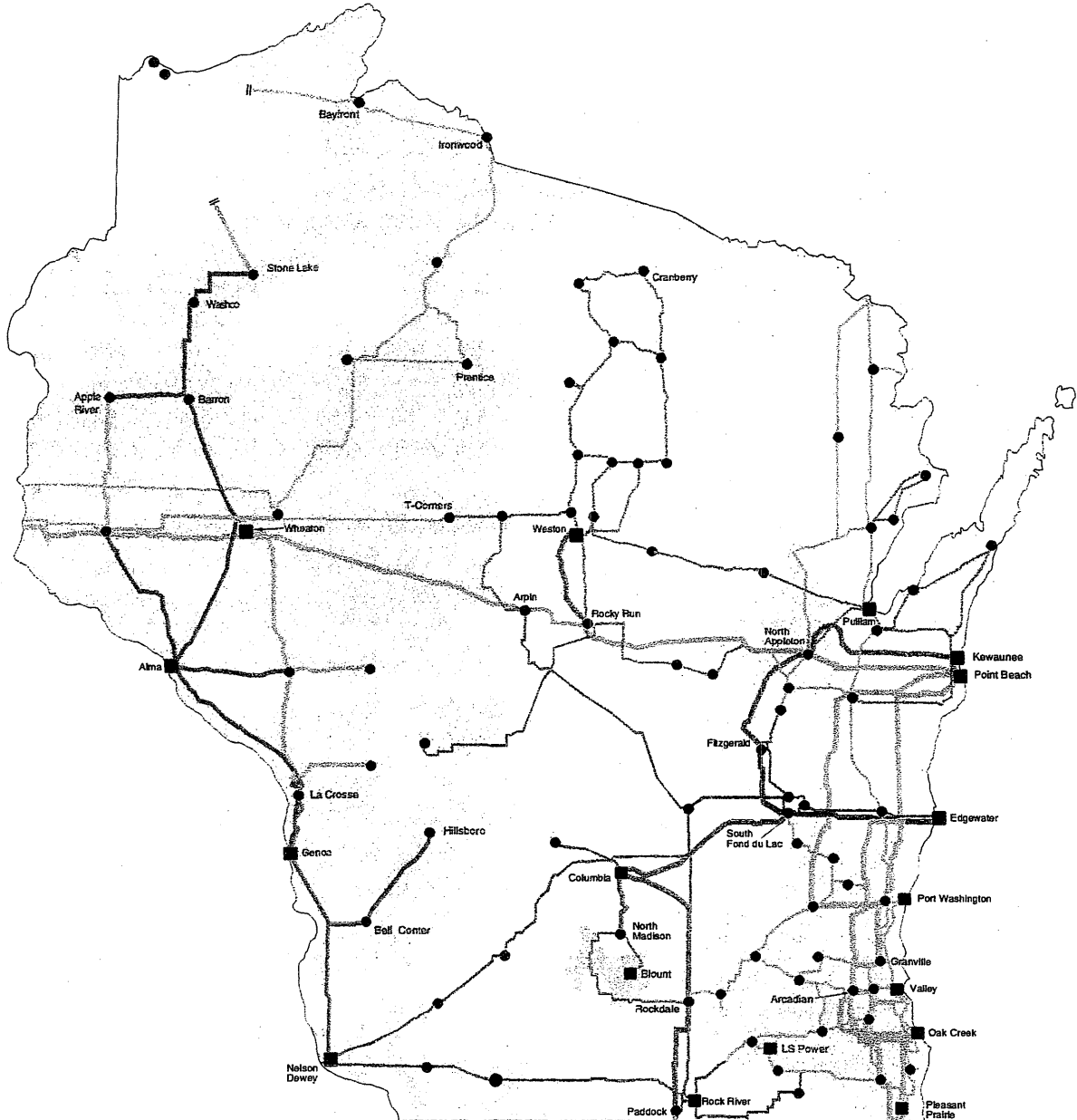
The Midwest ISO

- Operating in portions of thirteen states: Illinois, Indiana, Iowa, Kentucky, Maryland, Michigan, Minnesota, Missouri, Ohio, Pennsylvania, Virginia, West Virginia, Wisconsin
- Overseeing 55,000 miles of transmission lines.
- Encompassing 78,000 megawatts of electric generation.
- Service territory covering 204,000 square miles.



Participants:

- Allegheny Energy
- Alliant
- Ameren
- Cinergy
- CILCO
- Commonwealth Edison
- Duquesne Light
- Hoosier Energy
- Illinois Power
- Kentucky Utilities
- Louisville Gas & Electric
- Wabash Valley Power
- Wisconsin Electric



PRIVATELY OWNED UTILITIES

- MADISON GAS & ELECTRIC CO.
- WISCONSIN ELECTRIC POWER CO.
- WISCONSIN POWER & LIGHT CO.
- WISCONSIN PUBLIC SERVICE CORP.
- NORTHERN STATES POWER - WISCONSIN AND DAIRYLAND POWER COOPERATIVE

TRANSMISSION LINE OWNERS

- MADISON GAS & ELECTRIC CO.
- NORTHERN STATES POWER CO.
- WISCONSIN POWER & LIGHT
- WISCONSIN PUBLIC SERVICE CORP.
- WISCONSIN ELECTRIC POWER CO.
- DAIRYLAND POWER COOPERATIVE
- SUPERIOR WATER, LIGHT & POWER CO.

TRANSMISSION LINE VOLTAGES

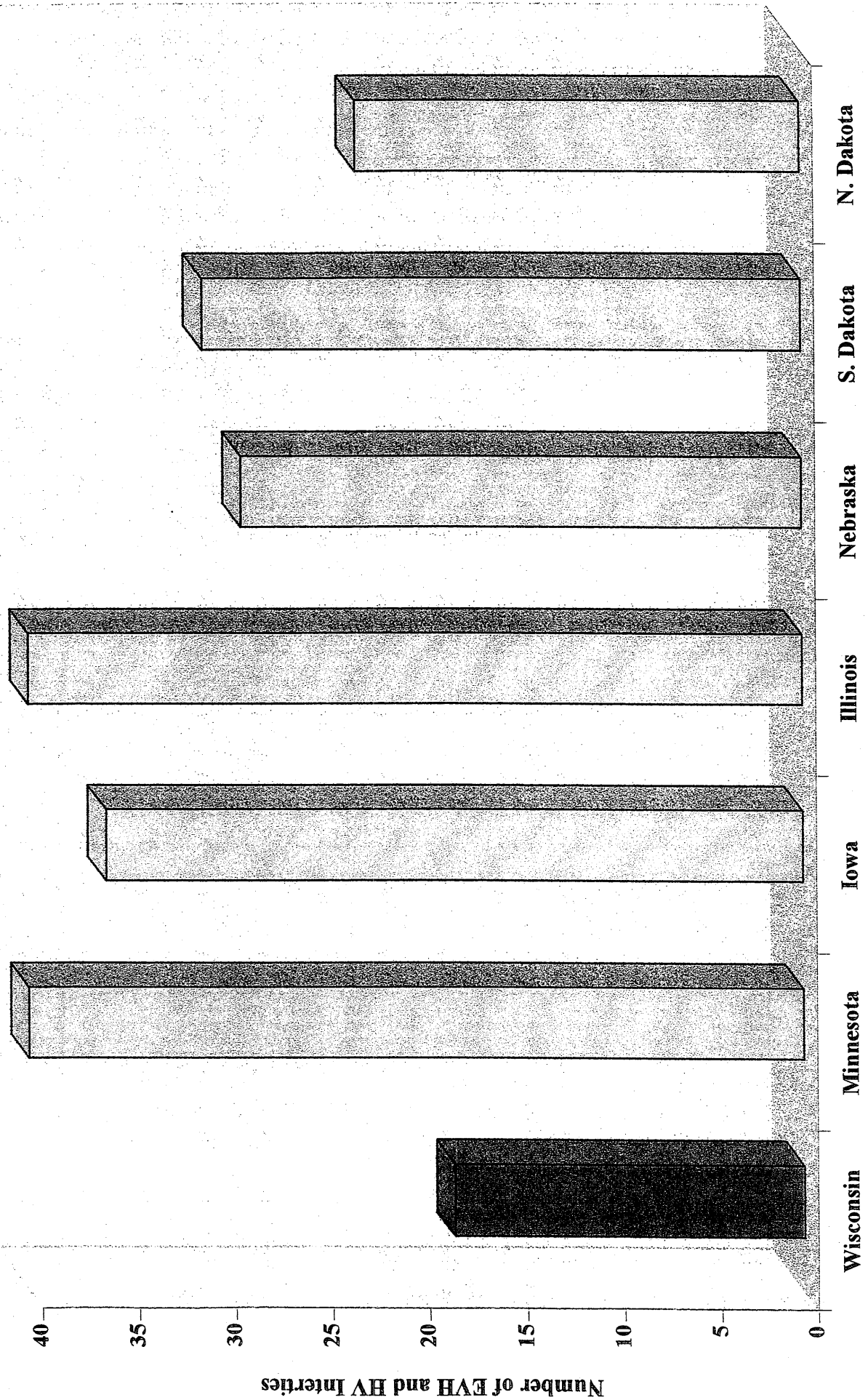
- 115 KV & 138 KV
- 161 KV
- 230 KV & 345 KV

- SUBSTATION FACILITY
- POWER PLANT FACILITY

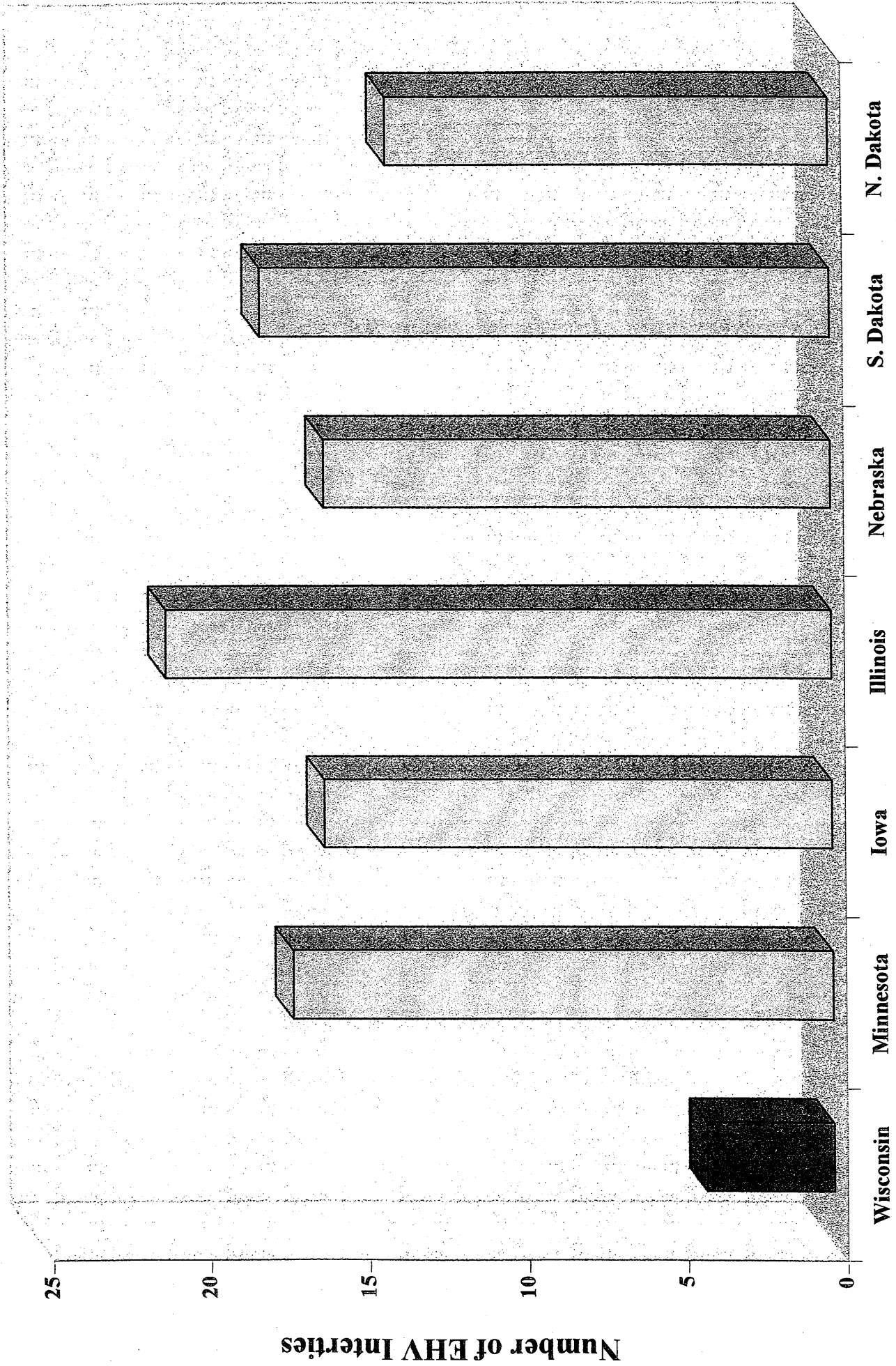
MAP 3 MAJOR WISCONSIN TRANSMISSION LINE OWNERS AND UTILITY SERVICE TERRITORIES

Transmission Connections to other States

of lines greater than 100kV

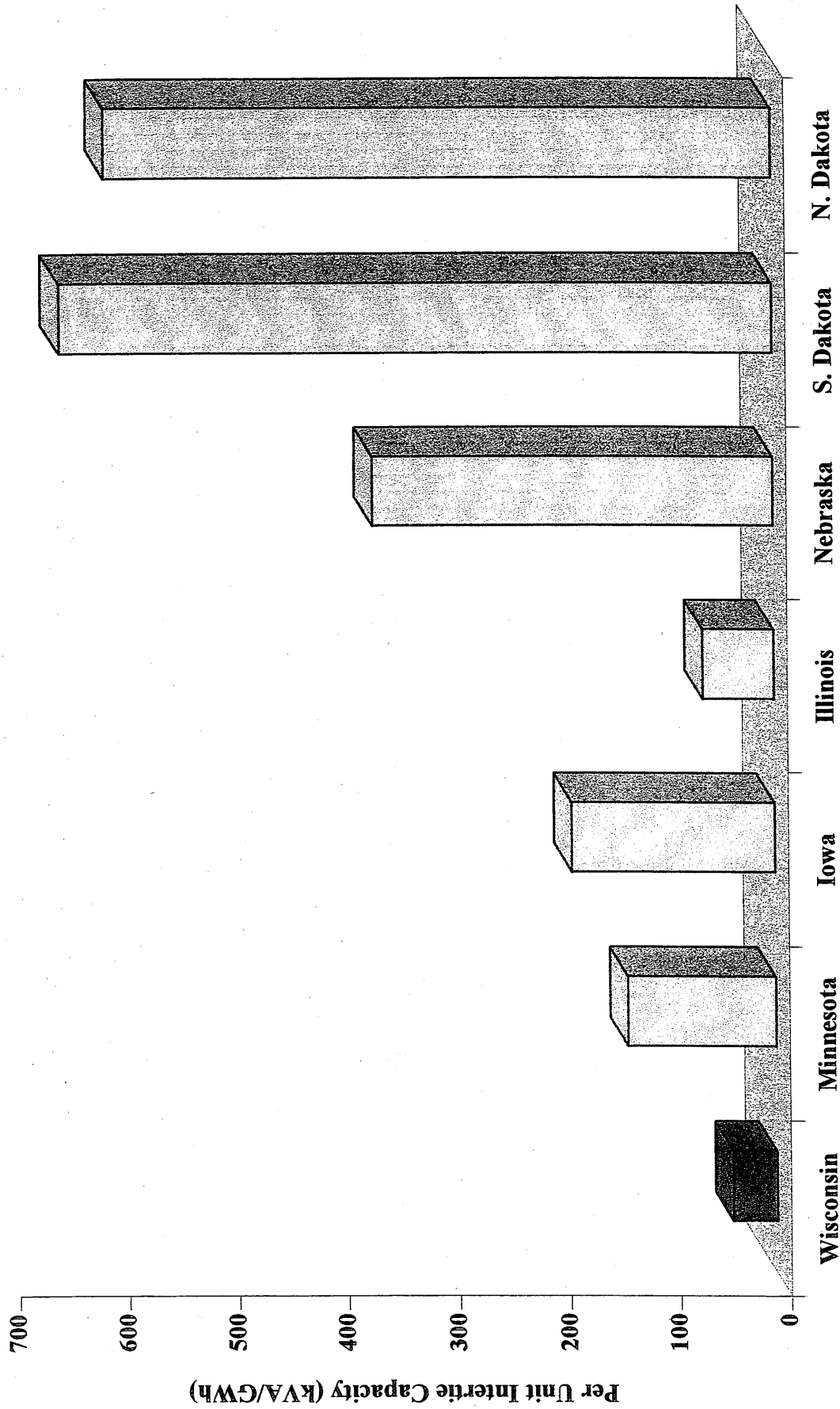


EHV Transmission Connections to other States



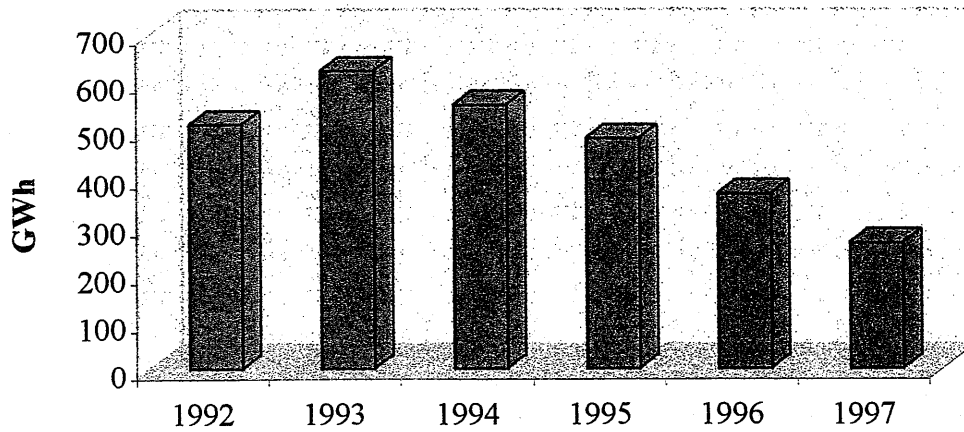
Ability to Get Help From Neighboring States

Interconnection capacity per unit of energy used in the state
Based on SIL -- Surge Impedance Loading of the border crossing lines



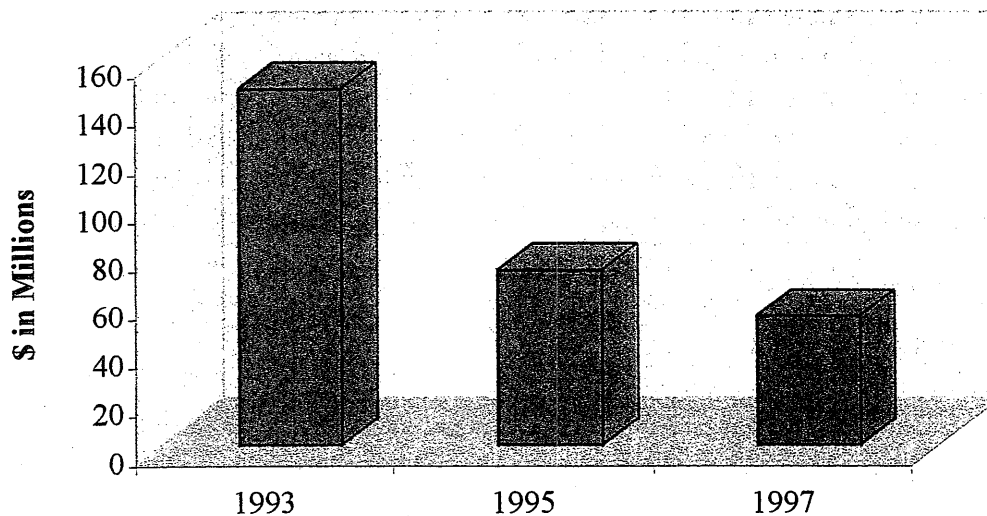
Wisconsin Has A Basic Infrastruture Need

Utility Energy Efficiency Achievement Electric Utility Achievement Statewide



Utility Energy Efficiency Achievement Statewide has dropped 58% from a high of 621 gigawatt-hours (GWh) in 1993 to 262 GWh in 1997. (Source PSC)

Utility Energy Efficiency Investment Spending by all Wisconsin Utilities



Utility Investment in Energy Efficiency Statewide has Dropped by 64% from a High of \$147 Million in 1993 to \$53 Million in 1997. (Source - 1993 and 1995 data compiled by PSC staff, 1997 data are compiled by legislative council staff.)

Wisconsin Coalition for Fair Competition



Associated Builders & Contractors of Wisconsin, Inc.; Independent Heating Contractors Association; Wisconsin Builders Association; National Association of the Remodeling Industry; National Electrical Contractors Association, Milwaukee Chapter; National Federation of Independent Business; Northeast Wisconsin Air Conditioning Contractors of America; Petroleum Marketers Association of Wisconsin; Plumbing & Mechanical Contractors Association of Milwaukee and Southeastern Wisconsin; Wisconsin Hardware Dealers Association; Wisconsin Construction Employers Council; Wisconsin Propane Dealers Association; National Electrical Contractors Association-Milwaukee Chapter; Madison Area Mechanical and Sheet Metal Contractors Association; Madison Association of Plumbing Contractors; Plumbers Local 75; Steamfitters Local 601

MEMORANDUM

TO: Members of the Wisconsin State Legislature

FROM: Ron Kuehn, on behalf of the Wisconsin Coalition for Fair Competition
Phone: 252-9325

DATE: May 18, 1999

RE: Budget Amendment Addressing Utility Unfair Competition (AB 133)

I. PURPOSE OF THE LEGISLATION

In the next few weeks the Wisconsin Legislature will be asked to make an amendment to the State Budget Bill in order to give investor owned utilities relief from Wisconsin's "asset cap." The State's 3,000 heating, ventilating, air conditioning, plumbing and electrical contractors and their employees are prepared to support that effort, provided that the Legislature gives the contractors relief from unfair utility competition in the HVAC, plumbing and electrical contracting businesses. Asset cap relief, without unfair competition protection, will greatly expand existing public utility opportunities to use their monopoly power to unfairly compete with contractors (and the jobs contractors create) unless utilities are required to operate their HVAC, plumbing and electrical businesses as separate affiliates with a union preference. Therefore, asset cap relief must only occur with protection of the small contractor and their employees.

The unfair competition protection legislation would prohibit public utilities from engaging in these contracting and appliance businesses, but would allow their affiliated interests to engage in such enterprises. The legislation requires a utility's HVAC, plumbing or electrical contracting affiliate to operate just like any other independent contracting business, by being completely separate from the public utility.

II. WHY THE FAIR COMPETITION LEGISLATION IS NEEDED

A. Utilities Have Advantages in HVAC Plumbing and Electrical Contracting Businesses Over Independent Contractors as a Result of their Monopoly Status

The Unfair Competition Legislation is needed because utilities have unique advantages over independent contractors.

TO: Members of the Wisconsin State Legislature
DATE: May 18, 1999
PAGE: 2

- Utilities can rent utility employees to perform contracting services when those employees are not busy with other utility obligations.
- Utilities can rent utility equipment for continuing service when that equipment is not being used for utility purposes.
- Utilities can enter the contracting business and trade on the goodwill built on the utility's name - goodwill that was earned in a monopoly setting.
- Utilities can advertise their nonutility businesses and services in inserts in monthly utility bills.
- Utilities know, through "free energy audits," which of their customers have old or inefficient appliances which are in need of service.

Independent contractors do not have these advantages which the utilities have secure under a monopoly system sanctioned by Wisconsin law.

B. Unfair Allocation Practices

The current "allocation" method that utilities currently use to account for utility owned resources that are used by their nonutility affiliated interests, even if it is done perfectly, is inherently unfair.

Allocation allows public utilities to purchase trucks and equipment with money that was earned through the rate base, and then "allocate" only the time that their affiliated interests use that truck or piece of equipment. In addition, large investor owned utilities have billions of dollars in assets, and their affiliated interests have immediate access to any utility trucks, equipment, personnel, customer information, research and design services, all which were originally purchased with profits derived from ratepayers.

Allocation of the portion of the utility's cost of these resources does not avoid the advantage of having access to these resources in the first place.

Examples:

1. If an affiliated interest of a public utility has immediate access to the utility owned truck that is used, for example, to compete with contractors only 25% of the time, then the utility's affiliated interest only pays for 25% of the truck, whereas an independent contractor would have to either buy the truck, or do without it entirely.
2. If an employee in the utility's business office spends two hours a day answering calls for the utility's affiliated interest, then the affiliated interest only pays for one quarter of an employee, whereas the independent contractor has to either hire an employee or do without.

III. WHAT THIS LEGISLATION DOES

A. Strict Separation Required

This fair competition proposal requires strict separation between public utilities and their affiliated interests engaged in heating, ventilating, air conditioning, plumbing and

TO: Members of the Wisconsin State Legislature
DATE: May 18, 1999
PAGE: 3

electrical contracting services, and the sales, service or leasing of appliances. *Separation allows public utilities and utility holding companies to own stock in affiliated interests that are engaged in HVAC, plumbing and electrical work.*

Under separation, public utilities and their affiliated interests who are engaged in HVAC, plumbing and electrical contracting work, may not share office space, equipment, employees (with the exception of a board of directors and a CEO), data or information of any kind with each other. Public utilities may not engage in any *non-emergency* HVAC, plumbing and electrical contracting work, *but their separated affiliated interests can do so.* (The utility can, however, engage in emergency service work.)

This separation language is consistent with SEC Rule 58 which regulates federally registered holding companies. In addition, *this separation requirement applies equally to both in-state, and out-of-state affiliated interests of public utilities.*

B. Affiliated Interests of Out-of-State Utilities

The proposal specifically *includes* the affiliated interests of out-of-state public utilities in the prohibition against unfair competition. These affiliated interests will be subject to exactly the same separation provisions as the affiliated interests of in-state utilities.

IV. WHAT THE LEGISLATION DOES NOT DO

A. Emergency Service

The proposal does not prohibit public utilities from providing emergency service to customers. Utilities will still perform emergency service, just as they did *before* the passage of the holding company act, while the HVAC contracting work and appliance sales will be moved to their separated affiliated interests.

B. Ownership of HVAC Affiliated Interests

The proposal does not prohibit public utilities or their holding companies from owning affiliated interests which engage in HVAC, plumbing and electrical contracting businesses. These businesses just have to be separate from the affiliate.

C. Servicing Utility Owned Appliances

The proposal does not prohibit public utilities from servicing their own appliances or the appliances of other public utilities, municipal utilities or electric cooperatives.

D. Industrial or Real Estate Investments

The proposal does not prohibit public utilities or their holding companies from investing in industrial developments, or engaging in any other activity. The proposal only requires "separation" of the utility from the HVAC, plumbing and electrical contracting business that its holding company, or the utility, owns.



**MILWAUKEE BUILDING & CONSTRUCTION
TRADES COUNCIL**

LYLE A. BALISTRERI
President

5941 WEST BLUEMOUND ROAD
MILWAUKEE, WISCONSIN 53213
PHONE (414) 475-5580
FAX (414) 475-5590

22

June 9, 1999

To: Members of the Joint Finance Committee of the Wisconsin State Legislature

I am writing this letter to ask for support for a provision that would guarantee protection against unfair competition from utilities should the asset cap restrictions be removed.

I understand the need, on the part of the utilities, to have the cap removed, and I would support the removal of the cap, if the utilities could compromise in some way with construction local unions and contractor groups who employ many thousands of our members. However, my affiliates have spoken loud and clear on this issue and need assurances that competition will be fair. Until then, we stand opposed to the proposed amendment to remove asset caps.

Thank you for your attention to this matter.

My best wishes for success with this Budget Bill.


Lyle A. Balistreri,
President

International Union of Operating Engineers

LOCAL UNION NUMBER 310

1250 RADISSON STREET

P. O. BOX 8323

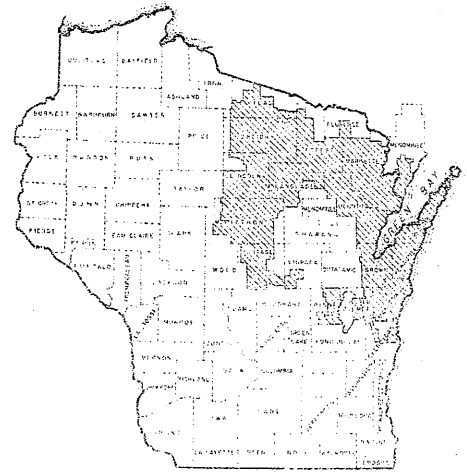
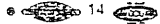
GREEN BAY, WISCONSIN 54308-8323

TELEPHONE 920-437-2750



AFFILIATIONS:

AMERICAN FEDERATION OF LABOR—AFL-CIO
STATE FEDERATION OF LABOR—AFL-CIO
NORTH CENTRAL STATES CONFERENCE I.U.O.E.
STATE BRANCH I.U.O.E.
AREA LABOR COUNCILS AFL-CIO



Testimony of Steven McFarlane International Union of Operating Engineers Local Union Number 310 Reliability 2000

Senate Committee on Health, Utilities, Veterans & Military
Affairs

June 16, 1999

Good afternoon. My name is Steven McFarlane and I am a Union Steward for IUOE Local 310 and a gas service technician for Wisconsin Public Service Corporation in Green Bay, Wisconsin.

Mr. Chairman and Representatives I appreciate the opportunity to speak before you today in favor of Reliability 2000, in its present form.

I know that there are at least as many questions as there was input from all concerned parties. All of those groups who came to the table with a willingness to negotiate in good will formed this package that is not only good for the rate payers of Wisconsin but also for Wisconsin's future. Times change but some things must remain constant. This being the reliability of the Utility industry for the State of Wisconsin. This proposal in its present form answers many of the questions into the Twenty-first Century.

UTILITY DEREGULATION INITIATIVE

Guarantee Basic Protections for Low-Income Families in the Utility Deregulation Process:

1. *Create a Public Benefits fund to meet low-income home energy needs on an annual basis.*
2. *Maintain current consumer protections by law: a winter moratorium on the termination of energy, health and safety regulations prohibiting the termination of energy during the summer for vulnerable individuals, and a guarantee that all residences will be provided service.*
3. *Provide low income energy services: crisis assistance, bill paying assistance, early identification/crisis prevention, furnace replacement, weatherization, conservation, and payment of gas and electric arrearages.*
4. *Provide \$50 million for weatherization/conservation from the Public Benefits fund in the first year, \$56 million for bill assistance. Thereafter, hold weatherization/conservation constant and adjust bill paying assistance based on a needs assessment conducted every two years.*
5. *Provide that all entities pay into the Public Benefits fund—government, consumers, utility and energy retailers—to assure continuation of consumer protections and services.*
6. *Provide that all utilities, energy service retailers, and utility customers share, equitably, the costs and benefits of utility deregulation, rather than using residential customers' payments to offset savings offered to large commercial users.*
7. *Fund public representation annually at \$0.5 million.*
8. *Create a Low-Income Benefits Policy Board with the authority to develop programs to meet the needs of low-income households.*

Problem

Two critical changes in the energy assistance program for low-income families are happening simultaneously:

1. Funding to Wisconsin from the federal Low-Income Home Energy Assistance (LIHEAP) program, which provides bill payment assistance, has steadily declined from \$75 million in 1985 to approximately \$31 million in 1996-97. Federal weatherization funds were reduced 40% last year.

2. Utility company deregulation will be implemented in the next three years. Regulated utility companies will be responsible for the pipelines, wires, and other physical connections to and from the customer's property, i.e., home owners, businesses. However, the supply of energy that flows through those conduits will be sold by independent retailers who could be local, regional, or national and who could be unregulated.



The reduction in federal funding and the advent of deregulation pose a serious threat to low-income families. Deregulation has been adopted as a free market solution to rising energy costs. While low-income families are now protected by government regulations which guarantee that energy will not be terminated, there is no such guarantee under deregulation.

The combination of reduced federal funding and the lack of a guarantee for protection poses a serious health risk for many children and families in times of extreme cold or heat.

Background/Facts

During the past three years, 38,000 low-income households in Wisconsin have had assistance with their energy needs. Wisconsin's low-income families spend an average of 14% of their income on energy costs, while the general population pays an average of 2%. According to the 1990 census, 333,100 households in Wisconsin are eligible for energy assistance because they have incomes below 150% of poverty. Although just over 11% of the eligible population used assistance during the past three years, it may not continue to be available unless a means is found to make up for the funding short-fall.

Wisconsin low-income families will receive 25% less in average assistance this winter, 1996-97, than they did in 1993-94. The average payment this winter will be \$225 compared with \$300 in 1993-94 when \$105 million was expended, an amount which has been identified, by the Public Service Commission of Wisconsin, as the absolute minimum required to meet demand.

It is anticipated that \$40 million of the \$105 million will be provided by federal energy assistance; it will be necessary to make up the difference with funds from customers and energy providers. It is expected that low-income households will continue to pay 80% of their home energy bills, as they do now.

Current Law

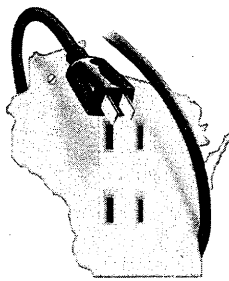
A state administrative agency, the Public Service Commission of Wisconsin, regulates utilities—their prices and practices. Protections for consumers have existed since the 1930's. In the mid 1980's new protections were created that: 1) prohibited the shut-off of utilities during the winter months and the remainder of the year when the health of vulnerable consumers was at risk, 2) restricted the size of security deposits demanded from low-income consumers, 3) required that services be continued to consumers who were previously in arrears by allowing for installment payment plans, and 4) ensured that notices of disconnection of service are provided to tenants as well as landlords, when the landlord pays utilities. These rules still exist.

Impact on Children and Families

With the reduction of funding and the absence of regulations, low-income families face the prospect of having their utilities discontinued if they cannot afford to pay their bills.

Few more serious threats to the health and safety of families with young children (40% of the families using low-income energy assistance had children under age 6) can be imagined than that posed by a utility shut-off, especially during the winter months in Wisconsin. Not only does it pose a threat of unsafe housing, but often families move when bills cannot be paid. For children, such moves can be very disruptive to schooling and stable neighborhood relationships. Research shows that high rates of mobility have a permanent effect on a child's school achievement.

The current regulations for low-income families specifically identify young children as among those who are most vulnerable. At a time when low-income families are facing massive changes in the welfare system and Food Stamp program, the additional threat of losing essential energy protections may put many families and their children in harm's way.



Customers First!

Plugging Wisconsin In
**Major Provisions of the
Governor's Reliability 2000 Plan**

1. Asset-Cap Modification

- if the energy holding companies commit to divesting their transmission systems to a TransCo, they get asset-cap modification
- energy and telecommunications assets would be excluded from the asset-cap formula; the asset cap is not repealed
- if the public-utility affiliate is not providing reliable service, the PSC is required to order enforceable guarantees of investment in Wisconsin

2. The TransCo

- combines the WEPCO, WPS, WPL and MGE systems into a single, common carrier system
- covers the major Wisconsin load centers (Milwaukee, Madison, Fox River Valley)
- this EWU system is required to join the regional grid (the Midwest ISO)
- companies in the western-Wisconsin MAPP region (e.g., DPC and NSP) can join the TransCo

3. Public Benefits

- utilities continue existing levels of spending for low-income assistance and weatherization, energy conservation and efficiency, environmental R&D, and renewables
- these funds are shifted to the Public Benefits Council/DOA over a three-year transition period
- new funding for low-income weatherization and bill assistance and for energy conservation/efficiency
- munis and coops pay their share of new funding, but may retain local control of funds
- electric suppliers will provide a part of their energy from renewable sources

4. White Paper

- the PSC implements market-based pricing and contract options for retail customers
- municipalities receive revenue for new transmission projects, and there is a one-time environmental impact fee for such projects
- Wisconsin is authorized to participate in a Regional Transmission Compact

See Reverse For List of Supporters

A Coalition
to Preserve
Wisconsin's
Reliable
and Affordable
Electricity

608.286.0784

888.960.4778 toll free

fax 608.286.6174

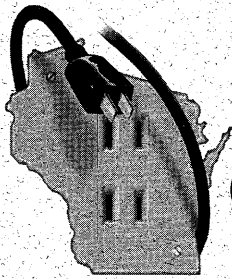
P.O. Box 54

Madison, WI 53701



Supporters of the Governor's Reliability 2000 Plan:

Alliant Energy, American Association of Retired Persons – Wisconsin,
Citizens' Utility Board, Dairyland Power Cooperative,
International Brotherhood of Electrical Workers Local 2304,
Madison Gas & Electric Company, Municipal Electric Utilities of Wisconsin,
Northern States Power, RENEW Wisconsin, Union of Concerned Scientists,
Wisconsin Alliance of Cities, Wisconsin Community Action Program Association,
Wisconsin Electric Cooperative Association, Wisconsin Electric Power Company,
Wisconsin's Environmental Decade, Wisconsin Federation of Cooperatives,
Wisconsin Industrial Energy Group, Wisconsin Manufacturers & Commerce,
Wisconsin Merchants Federation, Wisconsin Public Power Inc.,
Wisconsin Public Service Corporation and Wiser



Customers First!

Plugging Wisconsin In

FACT SHEET ABOUT LOW-INCOME ASSISTANCE & ENERGY CONSERVATION IN THE GOVERNOR'S RELIABILITY 2000 PLAN

- in the last five years, because of the anticipation that deregulation would occur sooner than it has, public utilities reduced their historic levels of commitment to low-income assistance, low-income weatherization, energy conservation & efficiency; since that time levels of support for these programs have fallen substantially;
- the PSC recently conducted a lengthy investigation of this issue involving all stakeholders; it recommended a total of \$107 million in state funding for energy conservation & efficiency; the Governor's Reliability 2000 Plan involves \$23 million less than this (\$84 million);
- of this amount, \$64 million is already included in utility rates; the governor's plan involves \$20 million per year statewide in new funding for energy conservation & efficiency;
- the governor's plan also involves \$27 million per year statewide in new funding for low-income programs; existing support from the federal government and in utility rates brings this total to \$105 million;
- total new funding is thus \$47 million (\$27 M + \$20 M);
- the governor's plan recognizes that energy conservation & efficiency should ultimately be a customer choice; it gradually shifts the function of conserving energy from the utilities to a private-sector marketplace; this will not be just another government-run program;
- bill impact is less than \$1.50 per month for residential; average bill impact for business customers is about \$4.00 per month; small-business customers would pay less; the largest industrials are capped at no more than \$750 per month;
- muni/coop contribution to public benefits has been increased by \$1.3 million to reflect their share of customers, usage and revenues;
- studies and surveys show that spending on energy conservation is an **investment** that saves the consumer more money than is spent; spending on energy conservation **reduces** electric bills;
- for a state like Wisconsin, which must import all of its electric fuel (coal, gas, etc.), spending on energy conservation has a positive impact on the state's economy; more of the dollars spent stay here; installers, contractors, and other businesses have more revenue and can hire more workers;
- energy conservation & efficiency is the best way to avoid building unnecessary power plants and transmission lines, with all of their adverse effects on land use and the environment; Wisconsin needs more power plants & transmission lines, but with a solid energy-conservation commitment we can be sure that we are not overbuilding and increasing costs excessively for users;
- Wisconsin consumers support reasonable levels of low-income support and energy conservation; they are willing to maintain our traditional levels of support for these socially responsible programs.

A Coalition

to Preserve

Wisconsin's

Reliable

and Affordable

Electricity

608.286.0784

888.960.4778 toll free

fax 608.286.6174

P.O. Box 54

Madison, WI 53701



June 8, 1999

Dear Honorable Member of the Wisconsin Legislature:

We are writing in support of *Reliability 2000*, Governor Thompson's recently introduced package of energy related reforms.

If *Reliability 2000* fails to pass quickly, Wisconsin will miss a crucial opportunity to begin the positive restructuring of our energy market. Taken as a whole, the provisions of this package will help ensure reliable energy to fuel our economic growth in the years to come.

Reliability 2000 takes the very important step of creating a dedicated transmission company. In addition, *Reliability 2000* provides electrical users important market-based purchasing options we believe will aid both reliability and economic development in Wisconsin. The creation of a new transmission company as well as innovative new purchasing options provides important steps toward meaningful market-based reform and restructuring of Wisconsin's energy industry.

Reliability 2000 reforms Wisconsin's unique restrictions on investments by our home based energy companies. This reform will allow our companies to compete on a level playing field with other companies from around the nation and world. Keeping Wisconsin energy companies strong and helping them meet our energy demands is good for our State's economy.

The package not only provides increased investment in energy conservation and renewable energy sources, but also energy assistance for our low-income citizens. We believe this investment is a necessary part of the overall package that will significantly benefit the State of Wisconsin.

Because we believe *Reliability 2000* will help grow Wisconsin, making us even stronger, we are solidly in support of its timely passage. Thank you for your attention to this important issue.

Sincerely,

Alliant Energy

Dairyland Power Cooperative

Municipal Electric Utilities of Wisconsin

Wisconsin Electric Power Company

Wisconsin Initiative Seeking Energy Reform, LLC

Wisconsin Manufacturers & Commerce

Wisconsin Public Power Inc.

Citizens' Utility Board

Madison Gas & Electric

Northern States Power Company

Wisconsin Federation of Cooperatives

Wisconsin Industrial Energy Group

Wisconsin Merchants Federation

Wisconsin Public Service Corporation



TOMMY G. THOMPSON

**Governor
State of Wisconsin**

June 8, 1999

Dear Honorable Member of the Joint Committee on Finance:

As a member of the Joint Committee on Finance, you have an opportunity to secure Wisconsin's tradition of safe, affordable and, above all, reliable electricity by advancing *Reliability 2000* as part of the 1999-2001 state budget. This unprecedented accord struck between utilities, businesses, consumer groups, labor unions and legislators on both sides of the aisle is not just a one-session piece of legislation, but a visionary blueprint for generations to come. We must not let this opportunity slip past us.

While other states have fumbled their opportunity to establish real market place reforms through electric industry restructuring, *Reliability 2000* gives Wisconsin a clear path of putting the citizens of Wisconsin first by doing it right the first time and assuring all Wisconsinites we will keep the lights on. It is critical to recognize that *Reliability 2000* has been fashioned as a comprehensive plan that will provide for future electric reliability.

While your major assignment on the Joint Committee on Finance is to scrutinize each aspect of proposed budget legislation, I urge you to consider *Reliability 2000* in its entirety. Rarely has Wisconsin been as poised to benefit from such a groundbreaking pact as it is today thanks to the efforts of all involved in designing *Reliability 2000*.

Please show the people of Wisconsin that when an issue as critical as the reliability of our electric system is at stake, we can embrace all points of view and achieve the best for them by approving *Reliability 2000*. Not only will they have more confidence in the reliability of their electric system, but they will also have more confidence in us as leaders.

Thank you in advance for your consideration and support.

Sincerely,

A handwritten signature in black ink, appearing to read "Tommy G. Thompson".

TOMMY G. THOMPSON
Governor

TGT/cl



Wisconsin Community Action Program Association

Robert Jones
Energy & Housing Program Director

1310 Mendota St., Suite 107
Madison, WI 53714-1039

608/244-0466
FAX 608/244-4064
e-mail: jones@itfs.com



Wisconsin Community Action Program Association

1310 Mendota Street, Suite 107, Madison, Wisconsin 53714-1039

608/244-4422

FAX 608/244-4064

TESTIMONY BEFORE THE
SENATE HEALTH, UTILITIES, VETERANS AND MILITARY AFFAIRS COMMITTEE

ON RELIABILITY 2000

Thursday, June 9, 1999

Robert Jones, Energy and Housing Director
Wisconsin Community Action Program Association (WISCAP)
1310 Mendota Street, Suite #107
Madison, Wisconsin 53714
(608) 244.0466

Good afternoon. I am Bob Jones and I serve as the Energy and Housing Director for the Wisconsin Community Action Program Association. WISCAP is the statewide trade association for Wisconsin's sixteen community action agencies: private, not-for-profit, locally-controlled corporations whose mission is to help low-income families become self-sufficient. Also members of WISCAP are the United Migrant Opportunities Services, and two single purpose agencies, the Foundation for Rural Housing and the Coalition of Wisconsin Aging Groups. WISCAP is also a member of the Customers First! Coalition.

Thank you for the opportunity to speak this afternoon and add our collective voice in strong support of the Governor's Reliability 2000 initiative. This is, truly, an impressive piece of legislation. It melds together various and diverse positions into a whole that will serve the best interests of all Wisconsin residents. It is public policy at its finest; when groups with different agendas, constituencies and priorities realize that we are all better off when we work together as one.

Reliability 2000 is a comprehensive package, which must stand as a package. Many groups have all agreed to accept the package, as is, for the betterment of everyone in creating a progressive and reliable energy future for Wisconsin consumers. Because we are concerned that changes in one area could jeopardize support in other areas, that future is dependent on all the parts of Reliability 2000 being maintained.

For our member agencies, and the communities and low-income households they represent, public benefits is a crucial component of Reliability 2000. This is so for two reasons:

First, basic standards of fairness and justice demand low-income households face a level playing field in the new energy environment being fashioned. This means they have the opportunities to take control of their energy bills; that they will not be less than equal customers because of debt incurred by them and forced to be carried by the utilities; that they, too, along with other residential, commercial and industrial customers, will be able to pay less for energy - and better make economic decisions about their energy purchases.

Second, the current burden on low-income households of paying their energy bills is a growing one and one that impacts on various other economic issues for this population and must be addressed. Energy costs are, on average, the second largest responsibility of a low-income budget. When low-income households are paying 4-5 times the percentage of income as other households for energy - which they are - choices must be made every month between food, medicine, clothing and the like. These choices - or, more accurately, lack of choices - continually inhibit the opportunities for those low-income households to achieve economic self-sufficiency.

While the burden on low-income households has been rising, funding for low-income energy assistance has been decreasing - substantially. Since 1993, federal weatherization funding has decreased 50%; utility programming has dropped 30%; bill payment assistance has experienced an 18% drop-off. (I have attached, with my testimony, various other indices of this

need - which I will not go into now but would be happy to discuss with any of you at your request.)

The public benefits component in Reliability 2000 addresses both these issues, by doing the following:

a.) It integrates, for the first time, Wisconsin's various low-income energy initiatives into one comprehensive approach. Low-income programs funded by public benefits will be administered by the state Division of Housing, the office which also administers federal weatherization and energy assistance programs. This will lead to the most efficient and effective service at a lower cost.

b.) It makes a substantial and on-going commitment to weatherization and energy efficiency for low-income households. 47% of all funds will be dedicated to weatherization for low-income households. This is the single best immediate guarantee of reliability. A study of the state's federal weatherization program in 1996 identified cost savings of 26% on the average energy bill due to weatherization. This is over \$230 per year and is an on-going savings for the low-income family - year after year after year. And, as energy efficiency increases, the need for immediate bill payment assistance should decrease.

c.) At \$105 million per year (inclusive of all sources), it provides a level of funding that will have a very real and very positive impact on low-income energy burden. And, by doing so in concert with other resources, the public benefits fund will adjust itself as low-income burden decreases and/or as other funding resources enter the state.

Industrial and commercial customers support the public benefits aspect of Reliability 2000 because they realize decreased energy burden on low-income households leads to increased economic self-sufficiency and boosts local economies through increased consumer spending.

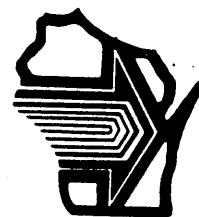
Utilities support the public benefits aspect of Reliability 2000 because they realize energy efficiency is a necessary antidote to reliability problems and because they would rather low-income households have the means to pay their bills than incur uncollectable costs that must be subsidized by all their other customers - either through rates or as a cost of doing business.

Residential customers will support the public benefits aspect of Reliability 2000 because they realize increased energy efficiency and lessened energy burden benefit all of us through reduced costs and because increased energy self-sufficiency will create decreased burden on other government, tax-payer funded programs.

Lastly, low-income households themselves support the public benefits aspect of Reliability 2000 because they want, as do we all, the opportunity to benefit by individual choice from market forces; to be economically self-sufficient and provide for their families.

There have been some concerns raised as to the anticipated cost of public benefits being as much as \$12-\$15 per year per customer. While these figures do not take into account the long-term savings through energy efficiency (i.e., the \$230+ in low-income bills through weatherization) or the decrease in pressure on the rates from reduced uncollectable costs as a result of bill payment assistance, I would also offer the opinion that, even so, this all serves as a lot of good for a very small price.

Thank you, again for the opportunity to speak with you this afternoon. I would be happy to answer any questions.



Wisconsin Community Action Program Association

1310 Mendota Street, Suite 107, Madison, Wisconsin 53714-1039

608/244-4422

FAX 608/244-4064

PUBLIC BENEFITS FOR LOW-INCOME HOUSEHOLDS

Public benefits include energy programs designed to provide Wisconsin's low-income households with weatherization, other energy conservation and financial assistance which enables access to more affordable energy and energy self-sufficient.

This issue has been under discussion and development since 1996. In that time, utility funding for low-income households has declined dramatically. Need is increasing among most low-income and working poor groups - for example, of those who have left welfare as a result of W-2, more are having trouble paying utility bills than any other.

A large and divergent group (utilities, governmental bodies, interest groups) support the basic concepts of low-income public benefits:

- * a funding level of \$105 million per year (inclusive of federal low-income energy programs), with 47% dedicated to home weatherization and conservation (providing fuel savings of 26% annually);
- * a statewide focus, with programs administered by the Division of Housing within the Department of Administration, where current federal programs are housed;
- * public oversight through a council;
- * permanence of the programs, with an on-going needs assessment conducted at regular intervals to determine funding levels required to meet future needs;
- * use of a graduated access fee, non-bypassable and applicable to all energy users in the state - to raise funds; no GPR would be required.

With a large consensus of support, no taxpayer money required, a growing need, a potential for economic growth and energy conservation, there is every reason to pass this important legislation now.

Date: March 15, 1999

Contact: Bob Jones (244-0466 or jones@chorus.net)

The Need:

- * Utility funding for low-income energy efficiency has dropped 30% in the past four years. From \$10.7 million in 1993 to \$7.4 million in 1996.

Based on federal weatherization service levels/dollar spent, this drop reflects 1,435 families who could have received valuable energy efficiency services.

- * Federal weatherization funding has dropped even more in the past four years - 50%. From \$18 million in 1993 to just under \$9 million in 1996.

This drop reflects a drop in number of low-income households served of 3,910.

- * Federal funding for bill payment assistance programs has dropped from \$47.1 million in 1993 to \$38.4 million in 1996 - a drop-off of 18%.

- * These cuts have had an economic effect. At its 1993 level, the weatherization program provided direct employment to 375 people. By 1996, that level was under 200.

Over \$52 million in economic activity was generated during 1993 by the program's \$18 million operation. Following the drop in funding through 1996, that level of activity is now just over \$25 million.

- * Energy costs play a substantial part in the financial pressures faced by Wisconsin's 333,100 low-income households. The average Wisconsin household pays 2.6% of its income on heating fuel, those receiving fuel assistance (150% of poverty or less) pay 10.6% of total income.

- * Nationally, the average low-income family spends 25% of its income on all forms of energy; the average non-low-income family spends 7%. It is not unusual for Community Action Agencies to be working with low-income families with energy burdens as high as 40% of their total income.

- * Households with incomes under 100% of the federal poverty guidelines not only don't have any discretionary income, they don't have enough income to pay for what the government calls the marginal existence possible at 100% of the poverty guidelines.

Many low-income customers in arrears simply do not have enough money to pay their bills. It doesn't matter how they budget, they don't have enough income. For households with incomes between 100% and 150%, financial well-being is slightly better, but typically only one crisis away from catastrophe.

- * Through the end of 1996, roughly 110,000 households in Wisconsin will have been weatherized through the federal-funded program and 65,000 with utility funds, leaving over 158,000 households which have not yet received services under any of the low-income weatherization assistance programs.

- * In a study of differences in spending patterns within low-income households, housing expenditures, including energy, in households with working members were 33.8% of income. In households with no working member, housing/energy costs rose to 43.1% of income, leaving fewer resources for other needs, particularly ones with more long-term benefits.

Date: March 15, 1999

Contact: Bob Jones (244-0466 or jones@chorus.net)

Facts About Weatherization:

- * According to a major evaluation completed in 1996, on average, weatherized buildings use 26% less energy for space heating, making them more affordable for occupants.
- * A one-year investment in weatherization saves about 4 trillion Btus over the 20-year lifetime of the measures, roughly the equivalent of 650,000 barrels of oil.
- * Total costs of weatherization (for all fuel types) averaged \$2,551 per household in 1995. The benefit to the households of weatherization is about \$2,832, a savings of \$281.
- * According to a 1993 study, energy costs are reduced by \$243 per household, or a total of \$1,488,618 statewide. This means that, for those homes weatherized in 1995, over the 20-year lifetime of the measures, nearly \$30 million will be saved in energy costs, making this amount available to pay other essential expenses and reduce the likelihood of non-payment of utility bills.
- * Older housing stock is preserved when weatherization and repairs add to the affordability and life of the structure. In some rural and multi-family housing, weatherization makes the difference between habitability and abandonment of the building.
- * Money that would otherwise leave the community for energy payments is now available for local expenditures. The state weatherization program has been shown to generate \$2.25 for every \$1 in program expenditures. Translating this to a \$50 million/year funding level, weatherization programs can serve as a magnificent economic engine, generating upwards of \$110 million yearly in additional economic activity.
- * The strongest correlation with energy burden (percent of household income spent on energy) is not income, but rather energy expenditure. Reducing consumption through an effective conservation program holds significant potential for relief from household energy burden for this population.
- * Providing energy-efficiency services gets at the very root of the energy problem for thousands of low-income households. It creates the opportunity for a real and meaningful reduction in the household's energy bill - month after month after month. It allows that household to take control of their energy costs and meet their own responsibilities.

Those Supporting Low-Income Public Benefits in the Governor's Reliability 2000 Plan:

Wisconsin Gas, Public Service Commission of Wisconsin, Wisconsin Electric Power Company, Alliant-Wisconsin Power & Light, Madison Gas & Electric Company, Municipal Electric Utilities of Wisconsin, Wisconsin Public Power, Inc., Citizens Utility Board, RENEW Wisconsin, Wisconsin's Environmental Decade, WECA Division of the Wisconsin Federation of Cooperatives, Dairyland Power Cooperative, Wisconsin Council on Children and Families, Community Advocates, Coalition of Wisconsin Aging Groups, Opportunities Industrial Council - Greater Milwaukee, Wisconsin Catholic Conference, Interfaith Program for the Elderly, American Association of Retired Persons - Wisconsin, Dairyland Power Cooperative, IBEW Local 2304, Northern States Power, Union of Concerned Scientists, Wisconsin Alliance of Cities, Wisconsin Industrial Energy Group, Wisconsin Manufacturers and Commerce, Wisconsin Merchants Federation, Wisconsin Public Service Corporation and Wiser.

Date: March 15, 1999

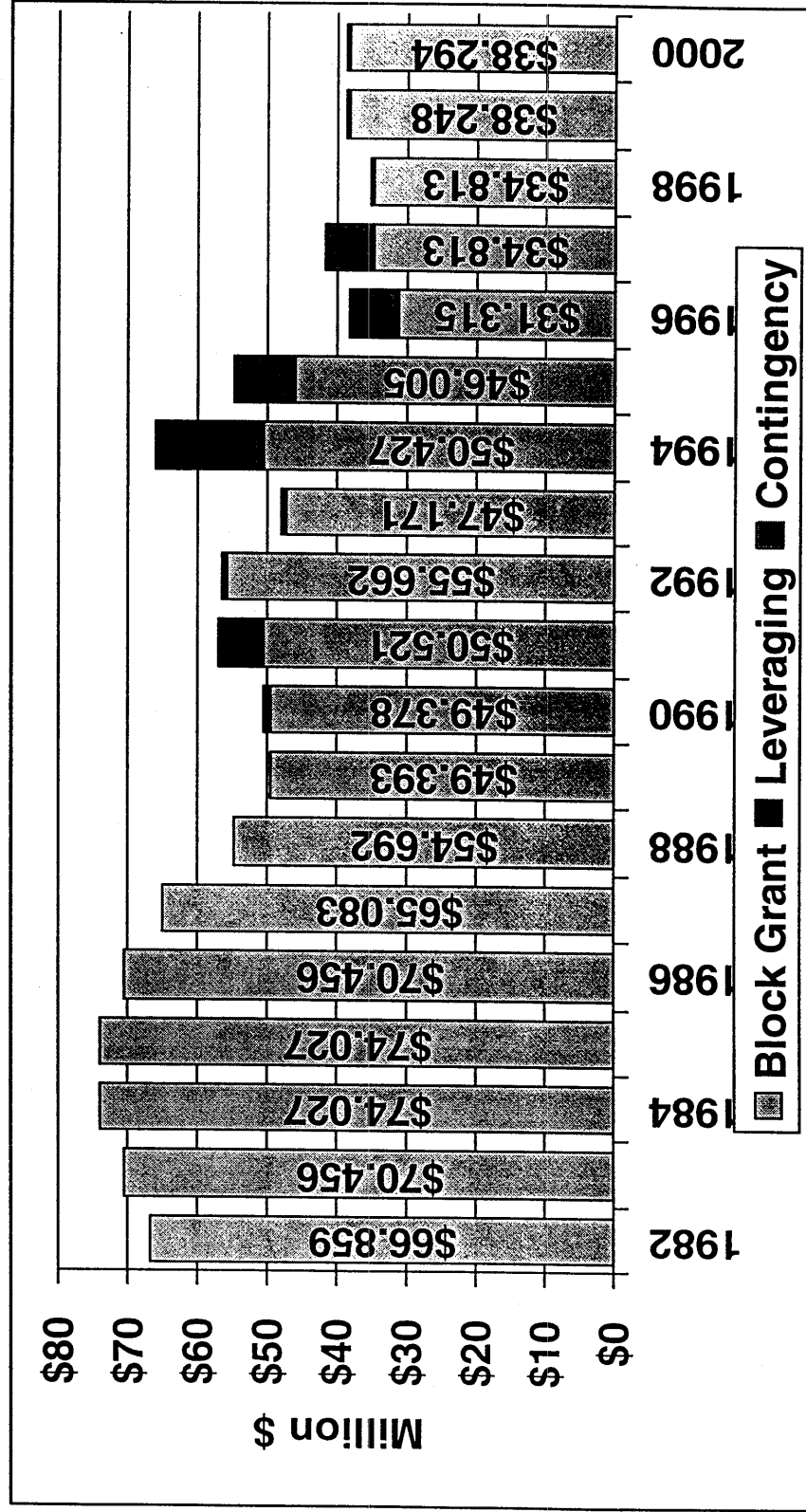
Contact: Bob Jones (244-0466 or jones@chorus.net)



Wisconsin
Department of
Administration

DCA

Division of Housing



LIHEAP: DHSS Federal Block Grant Funding History

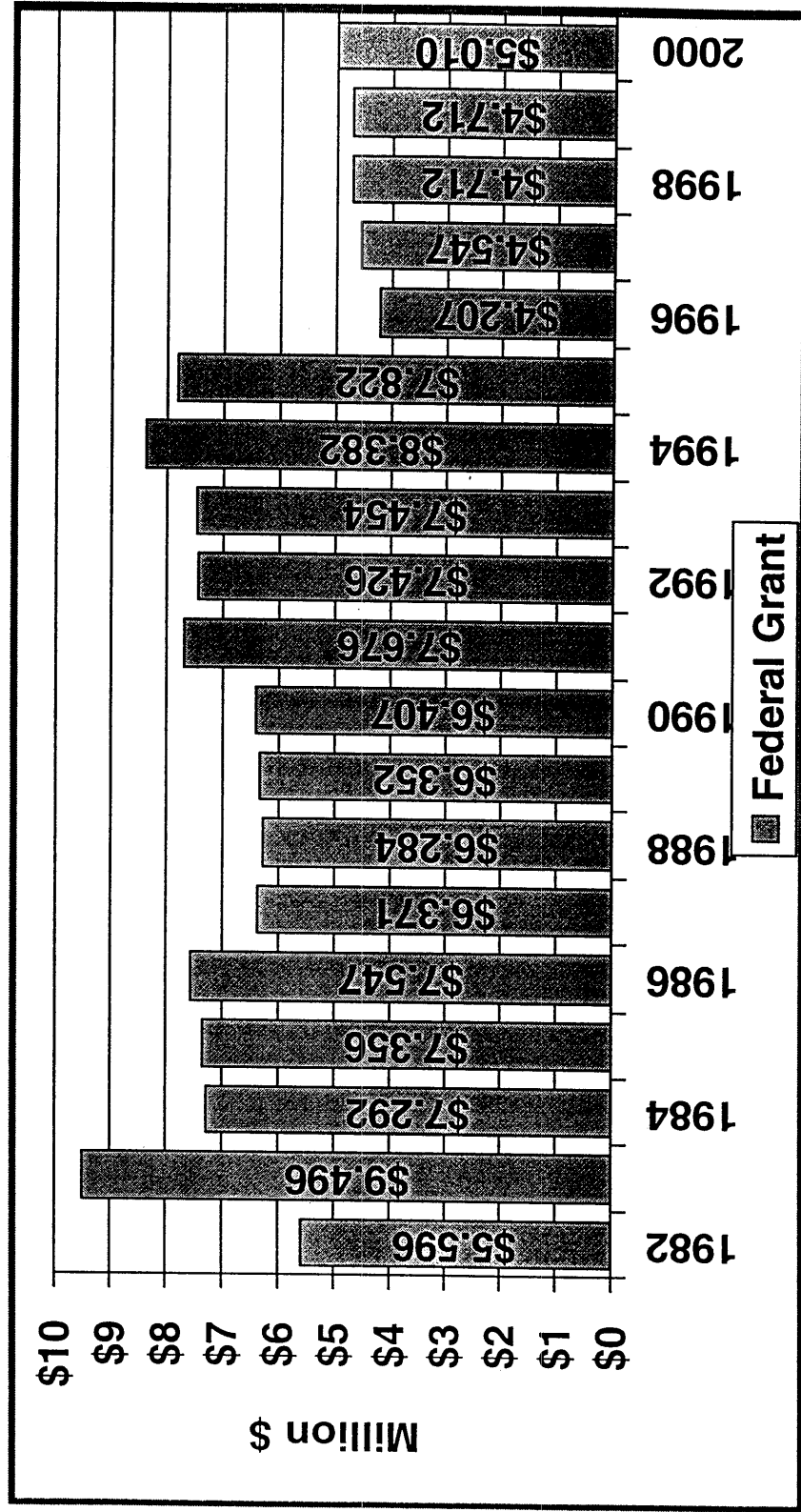
Distributed to the Special Committee on Utility Public Benefit Programs at its April 22, 1999 meeting



Wisconsin
Department of
Administration

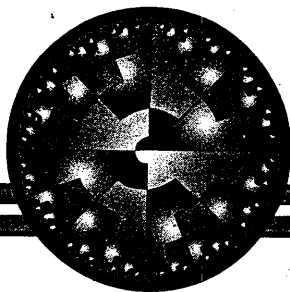
DOA

Division of Housing



Weatherization: DOE Federal Grant Funding History

Distributed to the Special Committee on Utility Public Benefit Programs at its April 22, 1999 meeting



Testimony of Michael Vickerman

Executive Director, RENEW Wisconsin before the Senate Committee on Utility Regulation 9 June 1999 in support of the Governor's Reliability 2000 Plan

Thank you Mr. Chairman and members of the Committee. My name is Michael Vickerman, and I am here representing RENEW Wisconsin, an nonprofit organization whose member businesses and individuals promote the expanded use of clean energy sources for environmental and economic development purposes. I am here to register my organization's enthusiastic support for the Governor's Reliability 2000 plan, and urge the Legislature to incorporate it into the 1999-2001 budget without any amendments.

As good as Wisconsin's commitment to energy conservation has been over the last 20 years, it has slackened in recent years, an untimely circumstance given the rapid growth in Wisconsin's economic output. A declining emphasis in energy conservation has contributed to the current stress on Wisconsin's electrical infrastructure. If adopted, the Governor's Reliability 2000 Plan would reverse that lamentable trend.

We commend Governor Thompson for recognizing that reliability and energy conservation go hand in hand. Reliability cannot be sustained over the long haul without a statewide commitment to reduce unnecessary electricity consumption and expand the use of cleaner, small-scale generators situated near load centers. The Governor's Reliability Plan will provide Wisconsin businesses and households with the means to cut back on their electricity consumption, thereby saving themselves money, and select cleaner energy resources to serve their needs.

It is possible to design attractive, comfortable and profitable buildings that use half as much electricity as a typical one uses. It is possible to bring down the price of efficient washing machines, dryers and refrigerators to levels comparable with their energy-wasting competitors. To attain these worthy goals, however, requires building up markets that reward rather than penalize energy efficient products and services. Under the public benefits provisions in the Governor's Plan, the state would take a giant step toward energy self-sufficiency.

Regarding renewable power: As a result of the Reliability Act passed last year, two large

wind farms in Kewaunee County and a biomass-fueled generator in the Fox Valley are being added to reinforce the eastern Wisconsin grid. These projects, which will start producing power later this year, will be the first generators to come on-line as a result of the Reliability Act. However, the current set-aside for renewable generation expires at the end of the year 2000.

The Governor's Reliability 2000 Plan contains a mechanism, called a renewable portfolio standard, that will continue the growth in renewable power supplies available to Wisconsin over the next decade. If adopted in its current form, the Governor's renewable energy initiative would bring about a stable, low-risk, competitively neutral marketplace, vitally important for attracting clean energy businesses and investment opportunities to our state.

In RENEW's view, the Governor's Reliability 2000 Plan is a well-balanced vehicle for reducing pollution, stimulating economic development, and increasing supplies of clean electricity while maintaining affordable rates for residential, business and low-income customers. We ask you to support Reliability 2000 in its present form.



Wisconsin Merchants Federation

The Voice Of Wisconsin Retailing

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MEMORANDUM

OFFICERS

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Alan Rudnick
R. Rudnick, Inc.
Sheboygan

Vice Chair

Dave Liebergen
Shopko Stores
Green Bay

Secretary

Jeff Rusinow
Kohl's Department Stores
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Oriental Specialties
Madison

EXECUTIVE STAFF

President/CEO

Chris C. Tackett

Sr. Vice President & General Counsel

Douglas Q. Johnson

V.P./Administration

Mary C. Kaja

TO: Members of the Senate Utilities Committee

FROM: Chris C. Tackett, President & CEO
Douglas Q. Johnson, Sr. Vice President/General Counsel

DATE: June 9, 1999

RE: Restructuring and Deregulating the Electric Utility Industry

The Wisconsin Merchants Federation supports continuing efforts to restructure and then deregulate the electricity industry as proposed in "Reliability 2000". Our members number more than 6,000 statewide. We'd appreciate your support in this effort.

The Wisconsin Merchants Federation (WMF), along with the Citizens Utility Board, the American Association of Retired Persons-Wisconsin and the National Federation of Independent Business-Wisconsin is a member of the Customer Group. WMF, as a part of this group, supports an energy plan that:

- Creates a set of incentives for building necessary transmission projects so that Wisconsin customers can access additional and less expensive power supplies nationally, especially to the west and north;
- Establishes an independent transmission company (TransCo) which will act as an independent common carrier and which will be part of a larger regional Independent System Operator (ISO);
- Hosts an energy summit for the upper Midwest to develop a regional approach to the construction and siting of transmission projects;
- Supports a common sense cost effective public benefits package that includes protections for low income residents and the environment;
- Supports timely action to modify the asset cap as necessary infrastructure improvements are made;

- Encourages the construction of competitive power plants in Wisconsin in a way which does not pose market power complications, i.e. our members seek choice and competition, not deregulated monopolies (as we have come to learn and regret with the deregulation of local telephone companies which have left us with deregulated monopolies and excessive access charges and other costly problems).

The Wisconsin Merchants Federation is committed to the goal of reliable and affordable electricity provided through a truly competitive energy market. If you have any questions, or would like to discuss these issues in further detail, please let us know.

CCT:DQJ:mb

test.moen



WISCONSIN FEDERATION OF COOPERATIVES • 30 West Mifflin Street, Suite 401 • Madison, WI 53703 • Phone (608) 258-4400

Testimony of David Hoopman
Wisconsin Federation of Cooperatives
on Reliability 2000
Senate Committee on Health, Utilities, Veterans and Military Affairs
June 9, 1999

Mr. Chairman and Senators, thank you for the opportunity to appear before you today, on behalf of the Wisconsin Federation of Cooperatives and most specifically the 26 rural electric cooperatives serving the state of Wisconsin. The co-ops strongly support Reliability 2000, in its present form.

I know your intention is to ventilate as much information as possible concerning specific details of the Reliability 2000 proposal, and I'm here for the purpose of advocacy, so I will make my remarks brief. But I do think it worthwhile to make some comment on the dynamics that have brought us to this point, because they have real relevance to the content of the proposal.

We're getting ready to pass a budget, and when contending parties come together at budget time and say we've found the answer to our problem, please pass it and don't tinker with the details, it is not unreasonable for you to ask what's going on.

I hope to give you some reassurance that this is *not* one of those situations where a few old pros get together just before a budget passes and carve up the pie. This is very different from that. The proposal we're discussing today is the product of months of negotiations involving many different and widely varied interests, not just a few. I think it's fair to say *all* sides of the broad issue of utility restructuring have been involved. And because of those good faith negotiations between groups with conflicting and

(Hoopman – June 9, 1999 – page 2)

sometimes opposite agendas, everyone was compelled to reduce their position to things they deem truly essential to the proper function of this state's electric utilities.

The short way of saying that is that I believe we're presenting a package that will help Wisconsin's electric utility industry do its job better, and most important, I believe that's true regardless of how much or how little restructuring and deregulation you ultimately want to do.

I'd also like to remind everyone that even though it might appear this is all rather sudden, it is not unprecedented. The process that's been followed to this point very closely replicates the process that gave us Act 204, last year's reliability legislation. I think it's broadly agreed that was a good product. I strongly suspect the belief that the Act 204 process could be repeated is one important reason why some of the issues before us today *didn't* wind up in the budget bill last November or December. Because those issues have been debated and distilled at one level, and because they're now going to get the scrutiny they deserve, what would *not* have been appropriate six months ago *is* appropriate now.

A final thought: None of this might have happened if Wisconsin hadn't been forced to confront a reliability problem beginning in the summer of 1997. I think we're fortunate in that, because we are now looking at the future of our utility industry not in terms of changing it or not changing it for ideological or theoretical reasons, but simply in terms of what's going to work. Some states haven't done that. They've gone farther, faster than we have, motivated by little else than reducing the price, and that has driven them to some very foolish contrivances that have little prospect of long-term success. Because of the way we're doing things, I believe Wisconsin retains the opportunity to lead the nation; to be the first state to get it right. And I believe the Reliability 2000 plan, adopted in its present form, will advance that goal.

#

Local 310
International Union of Operating
Engineers, Green Bay, WI

Local 31
International Brotherhood of
Electrical Workers, Duluth, MN

Local 12005
United Steelworkers of America
Racine, WI

Local 39
Office and Professional Employees
International Union, Madison, WI

Local 7-0111
Paper, Allied-Industrial, Chemical & Energy
Workers International Union,
Burlington, WI

Local 510
International Brotherhood of
Electrical Workers, Marquette, MI

Local 23
International Brotherhood of
Electrical Workers, St. Paul, MI

Local 160
International Brotherhood of
Electrical Workers, Minneapolis, MN

Local 204
International Brotherhood of
Electrical Workers, Great Rapids, IA

Local 365
International Brotherhood of
Electrical Workers, Madison, WI

Local 114
International Brotherhood of Electrical
Workers, Wisconsin Rapids, WI

Local 2150
International Brotherhood of
Electrical Workers, Wausesa, WI

Local 2304
International Brotherhood of
Electrical Workers, Madison, WI

Local 109
International Brotherhood of
Electrical Workers, Moline, IL

Local 953
International Brotherhood of
Electrical Workers, Eau Claire, WI

Local 249
International Brotherhood of
Electrical Workers, Burnsville, MN

Local 117
International Union of Operating
Engineers, Milwaukee, WI

Wisconsin Council 40
American Federation of State, County
& Municipal Employees, Madison, WI

June, 1999

To Members of the Wisconsin State Legislature:

The Utility Workers Coalition and the Wisconsin State AFL-CIO is urging your support of Governor Thompson's **Reliability 2000** energy proposal. The Utility Workers Coalition represents thousands of workers who help keep safe, reliable, and affordable power flowing in Wisconsin. Our Coalition actively supported the 1998 Reliability measures (Act 204) which the Legislature wisely passed last year.

This year, Governor Thompson urged a very diverse group of interests to forge a package that will guide the state's power system into the next century. Reliability 2000 is the result of both the contribution of hard work and the willingness to compromise. It maintains Wisconsin's leadership as an energy innovator while retaining the best part of our tradition by balancing the needs of rate payers, tax payers, investors, and Wisconsin's work force.

Key provisions of Reliability 2000:

establishes a transmission company (Transco) which will move power to every part of the state on an even handed basis,

provides "asset cap" modification which encourages energy investments in this state,

assures the public that the skilled power industry work force will provide continuous and reliable power to the state's economy,

addresses the needs of our state's most vulnerable citizens while looking to the future with a commitment to developing more efficient energy systems.

The package, in summary, aims to keep Wisconsin a great place to live and do business by implementing measures which will continue our tradition of delivering safe, reliable, and affordable power to our citizens. *We strongly urge that you support this agreement as Governor Thompson has proposed.* The legislature has an excellent opportunity to provide leadership on an issue that affects all of Wisconsin: *electric power reliability.* The Utility Workers Coalition and the Wisconsin State AFL-CIO joins with utility management and other concerned organizations asking you to support **Reliability 2000.**

If you would like to discuss this proposal, please contact Forrest Ceel, Lobbyist for Local 2150, IBEW at 1-800-551-1151, extension 223.

sf/opeiu/local 9

1602 South Park Street, Room 226, Madison, WI 53715 • (608) 257-4734

Local Union No. 2304



Madison, Wisconsin

Outline of Comments of David Poklinkoski
International Brotherhood of Electrical Workers Local 2304

More than a dozen states have deregulated their utilities, ordering retail competition by a date certain (1998, 1999, 2000, etc.) and then ended up leaving it to the utility commissions or legislative committees to figure out how that could possibly work. In most cases this has occurred in states with high electricity prices.

To the credit of the PSCW and the Wisconsin State Legislature, both in policy and in practice we have been taking what is referred to as a **sequential approach to change** in the industry. On a step by step basis we are making the various structural changes to our state's utility system that not only lay the groundwork for greater competition but also we are making changes that benefit all customers. This is no easy task, but with last session's Reliability Act 204 and now with Reliability 2000, we are doing just that.

Reliability 2000 is a product of the work of various stakeholders, legislators and the commission. It involved a lot of compromise, arm twisting and basically it involved people looking beyond their own narrow self-interest to identify a common and necessary path of change in the industry.

Labor unions are probably the most conservative force out there when it comes to changing our industry. We've been working increasingly longer, harder, and faster for the last nine years trying to keep the lights on and your service reliable and prompt. Reliability 2000 does about all you can do to ensure that dedicated and skilled workers are not sacrificed in the process of change in the industry. It is a credit to the parties involved in putting this legislation together that they recognize that you can't have a reliable electric system if you don't have dedicated and skilled workers engaged in the production, transmission and distribution of the vital service of electricity.

As a side issue, today, it may be necessary to briefly comment on the Affiliated Interest issue. The following are few quick comments on that:

* It was the subject of rather contentious hearings before this committee last year. It is a complex issue requiring good faith negotiations by all parties to sort out a policy that is good for Wisconsin. That hasn't happened even though we have been willing to engage in that process.

* In February of this year the PSCW completed the first phase of testimony and briefs in the Affiliated Interest docket 05-BU-101. This matter should be coming before the

commissioners sometime early this summer. This subject was thoroughly hashed out over a nine to ten month process. Critical questions to be addressed include among many others; what happens to the utility's PSCW obligation to "make safe" and serve all customers 24 hours a day 365 days a year, how will training of workers occur, who will serve the rural and low-income customers or those folks in neighborhoods that "the market" will not serve, is there harm to contractors or are many truly benefiting, is 8% of the HVAC market in Wisconsin currently served by the utilities a threat to competition, or finally, is there a way to satisfy the concerns of contractors but still provide the benefits to the customers that they enjoy with the current utility structure or a changing utility structure?

* This legislation is not the time or place to resolve this issue. Particularly if it is rammed in as a draft by and for one particular party. Such action does not result in good public policy. However, there are opportunities and venues to address this issue both legislatively and at the PSCW, if people are willing to work together on it.

This concludes my testimony.



LOCAL UNION 2150, IBEW
 INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS
 N8 W22520 Johnson Drive, Unit H Waukesha, Wisconsin 53186
 414-547-1033 FAX 414-547-2816 800-551-1151
 TIMM A. DRISCOLL
 Business Manager

January 14, 1999

1999 JAN 14 A 9:42
 PUBLIC SERVICE COMMISSION

Ms. Donna L. Paske
 Hearing Examiner
 Public Service Commission of Wisconsin
 610 North Whitney Way
 P.O. Box 7854
 Madison, Wisconsin 53707-7854

Re: Docket No. 05-BU-101

Dear Ms. Paske:

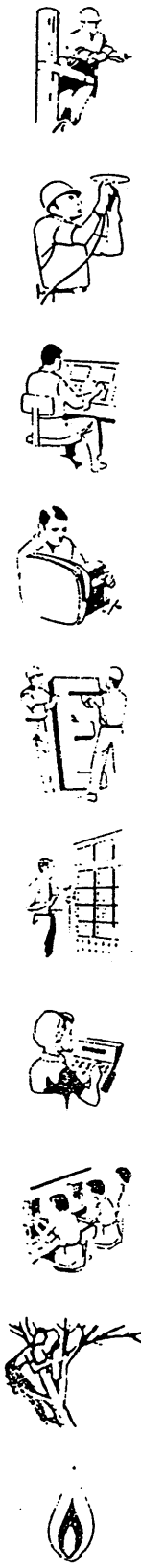
Please find enclosed for filing 20 copies of the initial brief on behalf of the Full Parties, IBEW Local 2150 and IBEW Local 2304. In addition to the Locals 2150 and 2304 the testimony represents a broad coalition of utility local unions from across the State of Wisconsin. Those local unions include IBEW Local 965, USWA Local 12005, IUOE Local 310, IBEW Local 953, IBEW Local 31, OCAW Local 6-111 and OPEIU Local 39.

Copies of this testimony are also being served on members of the service list established in this docket.

Very truly yours,

Dan Sherman
 Dan Sherman
 Assistant Business Manager
 IBEW Local 2150

David Poklinkoski
 David Poklinkoski
 President and Business Manager
 IBEW Local 2304



BEFORE THE PUBLIC SERVICE COMMISSION OF WISCONSIN
Initial Brief of International Brotherhood of Electrical Workers Local 2150 and 2304
Docket 05-BU-101
January 14, 1999

INTRODUCTION OF KEY POINTS

1 To be clear, this first phase of the 05-BU-101 docket focusses on utilities “as they
2 currently exist.” The Commission (PSCW) framed the investigation with the opening
3 paragraph;

4 “The context for the issues is that utilities, as they currently exist, should be the basis for the
5 testimony, that this is not a full blown restructuring docket, and we’re discussing the criteria
6 for utility and a non-utility, and examples can be given, but we’re not going to enumerate the
7 examples as part of identifying the issues list. So, we’re looking at what utility functions and
what non-utility functions are permitted within a utility.”

9 The Wisconsin State Legislature has not made a decision to establish retail electric
10 competition in this State and the PSCW has not determined that the end state of retail
11 wheeling is in the best interest of Wisconsin’s electricity customers. One of the consistent
12 tests throughout the numerous dockets and debates on the electric utility deregulation issue at
13 the PSCW is that any restructuring should occur such that “all customers must benefit.” This
14 high ground should also apply in this docket.

15 Utilities, as they currently exist, are not engaged in a significant quantity of non-utility
16 work sufficient to either cause harm to customers or competitors. In particular, the HVAC-
17 type work performed by the utilities has been shown to be essential to customer service as
18 well as maintaining the PSCW obligations required of the utility. Further, the record is also
clear that many of the current practices of the utilities do provide significant benefits to
20 HVAC contractors in terms of work and business opportunities.

1 When developing PSCW policy on the extent that diversification into non-utility activities
2 within the utility should be regulated, limited or prohibited by the Commission, the
3 “allocation” method can be utilized to protect and benefit the customer and not sufficiently
4 harm competition. None of the parties in this docket who have advocated for the allocation
5 method appear to be averse to modification of the allocation method or even the utilization of
6 the “separation” method should there be a proven need to protect the customer or competition
7 (to the benefit of the customer). Conversely, in the testimony of the advocates of divestiture,
8 separation and their corresponding rules of conduct, these parties have in no way provided the
9 evidence sufficient to negate the benefits of the non-utility activities currently performed by
10 the utilities (to either said parties or to the customers).

11

ADDITIONAL SPECIFIC CONSIDERATIONS

13 The real world policy and operations of the gas and electric utility industry - as presented
14 by numerous parties including representatives on the behalf of Locals 2150 and 2304 and the
15 various utilities - allow for a trained, skilled labor force. The utility personnel who are
16 performing HVAC field service are the same people who are also required for emergency
17 work and emergency service response for utility activities. The HVAC work performed is
18 largely incidental and should not be sacrificed particularly at a time when the PSCW has
19 recognized negative customer service developments in the industry and begun to call for
20 closer scrutiny to ensure that the safe and efficient service is, indeed, provided to customers.
21 Safe and efficient provision of gas service is an obligation and requirement of the utilities by
22 the PSCW. Other HVAC providers do not have this obligation and requirement and they do
23 not desire it. Consequently it befalls the utility to provide services (24 hours a day, 365 days a
24 year) in times and places and to particular customers that the other HVAC providers also

1 desire not to cover.

2 The aforementioned HVAC work performed by the utilities is truly a small portion of the
3 total market as evidenced by the survey of Wisconsin residents performed by EEI. The survey
4 found that contractors currently control 90% of the HVAC market and utilities do 8% of this
5 work. In the Milwaukee area - an area of particularly strident contractor opposition to non-
6 utility activity by the utilities - a 1991 rate case of Wisconsin Electric Gas Operations (then
7 Wisconsin Natural Gas Company) saw this company stipulate to a request by the Heating and
8 Cooling Contractors Association that all customers be informed of their right to option repair
9 work to an HVAC contractor. The utility workers have complied with this stipulation since
10 then. Also as part of this agreement the utility would not (and does not) perform more than
11 10,000 hours of gas appliance work per year throughout the service territory. This quantity of
12 work amounts to approximately five full time employees for WEPCO's gas service territory.
13 By comparison, a Milwaukee area contractor testifying against this essential but largely
14 incidental work performed by the utility, Mr. Karoloy, from Iron Fireman Heating and Air
15 Conditioning, claimed he employs "42 people in Metropolitan Milwaukee" and is "also an
16 owner, officer, and director of 17 other similar contracting firms in seven other states." While
17 this contractor claims to believe that utilities have a unique safety and educational role, he is
18 opposed to the structure that is essential for such systems to exist for Wisconsin's customers.

19 Utilities, as they currently exist, provide service where there are limited opportunities for
20 customers - for low-income, rural, dangerous neighborhoods, late nights, weekends,
21 holidays and, yes, even during the deer hunting season. This HVAC work, however defined
22 as non-utility or as utility, is closely related to basic utility service and the utility's obligation
23 to provide safe and efficient service. The best policy in this area of utility/non-utility
24 functions is to allow the current structure to continue to work. Truly, all customers do benefit

1 and there can be no legitimate case made against this type of work from a market power or
anti-competitive standpoint.

4 IN CONCLUSION

5 Customer service is a key concern of the testimony from the Local Unions. The
6 competitive market model as advocated particularly from the WCFC admittedly removes
7 low-income customers, and presumably, other hard-to-serve customers (low-income, rural,
8 dangerous neighborhoods, etc.) from their definition of "public interest." Fortunately, there
9 still is, despite all the trauma and changes, a "culture of service" amongst the workers in the
10 utility industry. Customers, from our personal experiences and as evidenced in the EEI
11 survey, do indeed recognize and appreciate this service.

12 The PSCW should order that the intrusion of the separation model be deemed appropriate
13 if, and only if, there arises the problem of harm to the customer and market power in
14 competitive arenas. We do not believe that there is sufficient evidence to warrant separation
15 at this time in any particular case. Further, the allocation method can work for utilities as they
16 currently exist - protecting and benefiting the customer and not harm competition.

17 The Local Unions look forward to constructively addressing the changes that our industry
18 is facing and embracing. We are uniquely and objectively positioned as those folks who are
19 actually producing and distributing the vital services of gas and electricity in our society today
20 and we are, therefore, well aware of how the restructuring of our industry works - or doesn't
21 work, particularly where customers are concerned.

22 This concludes our testimony.



LOCAL UNION 2150, IBEW
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1999 FEB 11 A 8:02
 ED
 PUBLIC SERVICE COMMISSION

February 11, 1999

Ms. Donna L. Paske
 Hearing Examiner
 Public Service Commission of Wisconsin
 610 North Whitney Way
 P.O. Box 7854
 Madison, Wisconsin 53707-7854

Re: Docket No. 05-BU-101

Dear Ms. Paske:

Please find enclosed for filing 20 copies of the Reply Brief on behalf of the Full Parties, IBEW Local 2150 and IBEW Local 2304. In addition to the Locals 2150 and 2304, the testimony represents a broad coalition of utility local unions from across the State of Wisconsin. Those local unions include IBEW Local 965, USWA Local 12005, IUOE Local 310, IBEW Local 953, IBEW Local 31, OCAW Local 6-111 and OPEIU Local 39.

Copies of this testimony are also being served on members of the service list established in this docket.

Very truly yours,

Dan Sherman

Dan Sherman
 Assistant Business Manager
 IBEW Local 2150

David Poklinkoski

David Poklinkoski
 President and Business Manager
 IBEW Local 2304

sf/opeiu/local 9

BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Investigation on the Commission's Own Motion into Utility Business
Activities and into Transactions and Relationships of Utility and
Their Affiliates During the Transition to Restructured Electric and
Gas Industries; Potential Effects of Increased Competition on
Markets and Customers

05-BU-101

**REPLY BRIEF OF THE
INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS
LOCALS 2150 AND 2304**

We've been through testimony, rebuttal, surrebuttal, more testimony, synopsis and initial briefs. In addition, we now have parties negotiating to introduce legislation in the Wisconsin State Legislature to bypass this entire process that has been ongoing before the PSCW in an attempt to get what they want absent the expertise and consideration of the various parties to this process – including the Commission. Despite the variety of parties and their recent activities, it is possible to reduce and categorize the arguments and testimony from the various parties into roughly two categories. One group discusses utilities “as they currently exist” (as per the issues list) and explores the realities of customer service operations and the obligations demanded by the current regulatory structure. The second group raises concerns, based upon their economic theory, that they believe must be addressed today for a structure of a utility industry that does not exist today but might exist tomorrow. Reality versus economic theory.

This could be a rather simple contradiction to resolve if the latter group's economic theory were not wielded largely as economic theology in the service of a particular business self interest to the exclusion of the best interests of Wisconsin customers. To quote Staff, “A

close review of the written testimony submitted in this proceeding shows that the parties are arguing economic theory without any documented substantiation for their positions.” (PSCW Initial Brief p. 9) The Local Unions strongly agree with this analysis.

We recognize as much as anyone else the issues that must be addressed in a restructured industry. Before we go anywhere on an Affiliated Interest docket, we have to recognize that the Commission Staff must have the resources and ability to audit and review records. The Commission must also be able to enforce compliance with the statutes and the rules it administers. Also, while this is not technically a restructuring docket, it is a docket about competition and maximizing consumer welfare. The parties advocating separation and/or prohibition (primarily WCFC, WIEG, PG&E, ENRON, CUB) have not demonstrated harm to Wisconsin customers under an allocation method nor have they demonstrated harm to the competitive process. What they have demonstrated is either an ignorance of the complexities of providing service, particularly HVAC-type service, to Wisconsin customers and/or an economic model of protectionism to facilitate their own narrow business self-interest. The latter is falsely promoted as the economic policy of the state and, therefore, considered as the public interest above and beyond the interest of Wisconsin customers and ratepayers. To turn a phrase that has been used by the Local Unions and several parties in this docket; the economic policy of Wisconsin is about protecting competition, not competitors! Any introduction of competition must consider concretely the specifics of the industry that we are to make a transition from. In addressing that specificity, we must insure that all Wisconsin customers benefit, not just PG&E or HVAC contractors, for example.

Interestingly, some of the parties who have advocated “a level playing field” or the separation or effective prohibition of utilities from providing certain work or services (so that they can enter or dominate certain markets to the exclusion of the utilities) are rather uniquely

positioned themselves. Individual HVAC contractors and members of the WCFC are considerably larger than even WEPCO's gas operations work in this HVAC arena. In the case of PG&E we are told that it is "the largest diversified energy holding company in the United States, with assets of \$26 billion, and is one of the nation's largest natural gas and electricity suppliers." Their subsidiary, U.S. Generating Company, "is the largest independent power producer in North America, with interests in 32 generating plants nationwide." Honesty, however, does appear to get the better part of them. While advocating for the "separation" method, this mega-company admits; "PG&E Corp.'s utility subsidiary does offer certain services that also are offered to the utility's customers by competitive suppliers. However, the utility provides those services on a regulated basis, pursuant to tariffs filed with the CPUC." (PG&E Initial Brief pp.6,7,8)

Even PG&E knows that the reality of utility service entails not a "bright line" in the area of HVAC-type work, but rather they, too, have an obligation to "make safe" to inspect and, therefore, provide incidental levels of service related to the use of gas appliances by customers. Further, they must recognize that this obligation also requires the adequate staffing of skilled and trained workers who are essential to the provision of reliable, safe service. Practically, such incidental "competitive services" are indeed performed by their utility employees, whereby, in the process of performing this work such employees maintain and develop their required skills. These workers, like the utility workers in Wisconsin, also provide key emergency response functions on the behalf of the utility. It needs to be said, that currently utilities provide the gas and electricity commodities that are really a vital service to the functioning of a modern society. PG&E's experience with the problem of emergency response was widely recognized as the impetus behind the need to establish maintenance and service standards as part of the restructuring process in California. So, while advocating a

separation method which would effectively negate activities which some may define as either “core” or the utility-related “non-core” functions of Wisconsin’s utilities, PG&E knows better about what the true needs of a utility’s customers are back home in (the Mecca of utility deregulation) California. Apparently so does the California Public Utilities Commission.

A recent entrant to the 05-BU-101 docket, Citizen’s Utility Board (CUB), advocates a “bright line” distinction between “core” utility functions and “non-core” non-utility functions in a utility’s operations. Any activity that is defined as non-utility is to be prohibited from being performed by a utility to “protect ratepayers” and to prevent the restriction of “non-regulated and non-subsidized competitors from providing consumers with non-utility services.” Consistent with the testimony of WCFC and, again, as the latter was critiqued by PSCW Staff, no concrete evidence of harm to ratepayers or customers or competition is evidenced. The reality of the work performed by the workers of the utilities has been the subject of testimony by the Local Unions. That work which we perform as “core” work now appears to not be in much dispute. That “non-core” work which is largely incidental and utility-related work is, however, in dispute. Such “non-core” work as HVAC-type service to low-income customers and other presumably hard-to-serve customers such as dangerous neighborhoods, rural areas, customers late at night, on weekends, holidays, or during deer hunting season is to be prohibited by CUB. Some of these customers are those that WCFC (the “non-regulated and non-subsidized” competitors who would presumably otherwise do this work) has admittedly decided that they are not interested in serving. If utility workers do not serve the low-income little old lady with no money late at night, who does CUB think will serve her? This concern has been raised not only by utility workers who currently provide this service, but also by Ms. Watford, from Community Advocates. (Tr.663-66) Under the

CUB prohibition model, the elderly and others can no longer choose to have any HVAC-type service from the utility because this competitor (the utility) has been effectively denied access to this market. The reality check bottom line is that “bright lines” (particularly in Wisconsin’s climate) can kill people and they become anti-competitive economic practice to the detriment Wisconsin’s customers and ratepayers – by denying customers in some cases access to their only choice (or objective third-party choice) and by denying utility workers the opportunity to train and retain their skills that are necessary for them to meet their obligations under PSCW regulation to provide safe and efficient service to customers.

WHAT IS THE COMMISSION TO DO?

The Local Unions are certainly novices when it comes to PSCW procedure and the docket process, but we do know a heck of a lot about how gas and electric service works and doesn’t work. And, if it walks like a duck and quacks like a duck, well, it’s probably a duck. Some parties in this docket are clearly operating out of pure economic self-interest to the detriment of Wisconsin’s ratepayers and customers. Some parties have provided testimony that was based largely upon ignorance concerning how customers are actually served and, therefore can’t recognize how difficult it is to draw a “bright line.” Reality doesn’t always fit predetermined conceptions of economic models regardless of how sophisticated they may be. Entities that are utilities are not always “bad” and conversely, other non-utility entities are not always “good” or better when it comes to the welfare of Wisconsin’s consumers.

The welfare of Wisconsin’s consumers should be the primary focus of the decision-making by the Commission. This does not have to be in contradiction with maintaining competition as the fundamental economic policy of this state. As the Commission wades its

way through this 05-BU-101 docket a careful concern must be made to recognize the importance of the current activities of the utilities – be they defined as “core” utility functions or “non-core” utility-related “non-utility” functions. These activities can be adequately handled by the PSCW (considering our earlier comments in this Reply Brief) utilizing the allocation method. At the same time, we, too, are concerned that in any system there are changes which can occur that demand a different method to ensure that customers are not harmed and that competition is not harmed as well. We believe that, based upon the record in this docket, this can be handled on a case by case basis. It would be foolish, at best, to advocate an across-the-board separation or prohibition model for all to adhere to based upon the particularities of one – or upon the evidence in this docket.

If there is not truly a “problem” in a particular area, then the “solution” of separation or prohibition is clearly not in the public interest. It becomes, rather, a solution in search of a problem – in which case it is really a stalking-horse for an agenda that is not legitimately representing Wisconsin’s customers or ratepayers.

The Local Unions are always available and we look forward toward providing any help or assistance that the Commission may require.

Respectfully submitted this 11th day of February, 1999,



Dan Sherman, IBEW 2150



David Poklinkoski, IBEW 2304