



THE INVESTOR'S VOICE

A Bimonthly Publication of the Wisconsin Utility Investors Inc.

Volume 6, Number 3

May 2008

IN THIS ISSUE

WUI Joins Suit Challenging Department of Natural Resources Mercury Rule Procedures1

Madison Gas and Electric Customers Triple Green Energy Commitment1

Nuclear Safety2

Wisconsin Public Service Plans for Future Green Energy Sources2

Wisconsin Power and Light Company to Purchase Minnesota Wind Farm3

Public Service Commission of Wisconsin Approves Wisconsin Public Service Corporation Purchase of enXco Wind Farm3

WUI Board Meets to Discuss Legislative and Regulatory Goals for 20083

Xcel Hydro Leader in Chippewa County Wisconsin4

WUI Joins Suit Challenging Department of Natural Resources Mercury Rule Procedures

Wisconsin Utility Investors, Inc. has joined with the Wisconsin Builders' Association, Wisconsin Paper Council, Midwest Food Processors Association, Wisconsin Cast Metals Association, Wisconsin Industrial Energy Group, Wisconsin Economic Development Association, Aggregate Producers of Wisconsin, and Wisconsin Manufacturers & Commerce in filing a lawsuit in Dane County Circuit Court asking it to enforce key rulemaking provisions of the Job Creation Act. The business and economic development groups are asking the judge to direct the Wisconsin Department of Natural Resources (DNR) to temporarily suspend their rulemaking on its proposed rule regulating mercury emissions until required provisions of the Wisconsin Jobs Creation Act have been met.



The DNR has proposed a rule to regulate mercury emissions that also includes limitations on nitrogen oxide (NOx) and sulfur dioxide (SO2) pollution. However, the scope statement issued by the agency in 2005 did not envision the excessive level of mercury regulation contained in the proposed rule, nor did it contemplate the regulation of NOx or SO2. If the DNR had issued an accurate scope statement for their rule, affected parties would have requested an economic impact report during the statutory 90-day window provided by the Job Creation Act. Conversely, the lack of an accurate scope statement has prevented the employers, lawmakers,

electric ratepayers and utility shareholders from availing themselves of their due process rights to request preparation of this important economic report.

Although WUI does not agree with the merits of the rule itself, this suit merely seeks to preserve a fundamental promise of the Jobs Creation Act - the need for fair notice and an opportunity for meaningful participation in agency rulemaking. The suit simply asks the Court to direct the DNR to follow the law.

Madison Gas and Electric Customers Triple Green Energy Commitment

Madison Gas and Electric (MGE) customers have tripled their commitment to green energy since the introduction of the company's Green Power Tomorrow program in early January. More than 10,000 customers have signed up to pay a small premium on their electric bill in order to offset the carbon emissions normally produced by their electricity.



MGE's new Green Power Tomorrow program offers renewable energy from a recently constructed wind farm in northern Iowa, two wind farms in Wisconsin and solar power from several projects in the Madison area. The company's wind power portfolio is scheduled to increase by eight times this year.

Interest in the renewable energy program remains high and the company is continuing to enroll customers. MGE was one of the first Wisconsin utilities to offer a green pricing program to customers. In 1999, the company brought online a new wind farm in Kewaunee County and subscribed its entire capacity of green energy in less than four months.

NUCLEAR SAFETY

By Bruce Barnaby

This is the third article in a four part series about nuclear energy.

Whenever people think about safety of nuclear power plants they tend to recall Three Mile Island. Yes in 1979, there was an accident at a power plant in Pennsylvania that riveted the nation's attention for several days. What happened? How did it happen? Why did it happen?

The Three Mile Island accident in 1979 was due to loss of coolant, when a pump failed. Automatically, the reactor "scrammed", that is, the control rods were inserted into the core and the fission process ceased. The huge reactor core was still at a high temperature so the emergency core cooling system (ECCS) started automatically, just as it is supposed to do. However, the operators misunderstood what was happening and turned off the ECCS. This led to overheating of the core and a major accident was inevitable. It took several days for the operators to regain control and a month to bring the reactor to a cold shutdown. The core was severely damaged, but contained in the reactor. There were no injuries. Fission product gasses escaped leading to a small but detectable increase in radiation in the atmosphere at the site. Removing the damaged core was expensive and took years. Several investigations led to changes in operator training and plant safety procedures.

So has safety improved? Let's consider a specific nuclear power plant, Palo Verde, owned jointly by several utilities including PNM Resources, El Paso Electric and Arizona Public Service, who is the operator. Located near Wintersberg, AZ (36 miles west of Phoenix), Palo Verde consists of three nuclear reactors that generate a total of 3,850 MW. (Palo Verde is unique among all nuclear power plants in the United States in that the three reactors are identical making maintenance more economical and convenient.) Palo Verde began operating in 1982 and currently employs 2000 employees and a few hundred contractors on a full

time basis. It has had no serious accidents due to the reactor in all that time. As any large industrial plant, it has an on site medical facility to care for injuries and medical needs of the employees. And it has a security staff. But the most important asset for nuclear safety is the presence of Nuclear Regulatory Commission (NRC) inspectors with the authority to oversee NRC regulations including shutting down of the nuclear reactors.

On October 12, 2005 the operator shut down two of the reactors at Palo Verde to verify that the emergency core cooling system was working properly. There was no accident or immediate danger. The NRC published an Event Notification Report on its web site www.nrc.gov that same day and updated it every day until the operator, satisfied that the system was working properly, restarted the reactors. The NRC inspectors were present to ensure that all regulations and procedures were followed. This kind of oversight and openness is unique. It is the basis of nuclear reactor safety: independent oversight, cooperation between Nuclear Safety - Second Safety Article the operator and the inspector, timely resolution and disclosure to the public. The consumer and the investor are well served by this system as the history of electricity generation and record of safety demonstrate.

Next month, we will look at the storage and safe handling of nuclear waste.



BRUCE BARNABY IS A PHD PHYSICIST, A MEMBER OF THE AMERICAN NUCLEAR SOCIETY AND DEDICATED TO FOLLOWING NUCLEAR ENERGY. HE IS A MEMBER OF THE NEW MEXICO UTILITY SHAREHOLDER ASSOCIATION.

Wisconsin Public Service Plans for Future Green Energy Sources

Wisconsin Public Service Corporation, a subsidiary of Integry Energy, has signed a letter of intent to purchase energy from Manitoba Hydro, beginning in 2018. The more than \$2 billion deal would allow the company to supply additional "green" power at a time when it is becoming increasingly difficult to build conventional coal-fired plants. While a first step, many additional hurdles must be overcome before the deal can be finalized.

"Coal is kind of an uncertain option at this point in time," according to Charlie Severance, WPS general manager of wholesale and renewable power. The company is close to opening a new coal fired plant near Wausau, one of two new coal plants that have been approved by the state Public

Service Commission within the last several years. However, the hydro plan will hinge on transmission studies, regulatory approvals and negotiating a final agreement. Manitoba Hydro is building new dams along the Nelson River, which would go into service in 2018 and 2020. The power-purchase contract would be for 15 years and would supply 500 megawatts of electricity, equal to a nuclear reactor or large single-boiler coal-fired plant.

At the present time, the imported hydropower cannot be used to comply with the state's requirements for selling renewable energy because of environmental concerns raised by Native American tribes in Canada. However, WUI believes the legislature should allow it if such power is available.

**"COAL IS KIND OF AN
UNCERTAIN OPTION AT
THIS POINT IN TIME..."**

*Charlie Severance, WPS, general manager of
wholesale and renewable power*

Wisconsin Power and Light Company to Purchase Minnesota Wind Farm

Wisconsin Power and Light Company (WPL), a subsidiary of Alliant Energy Corporation has executed a letter of intent to purchase a 400 megawatt wind farm site, located in southern Minnesota, from Wind Capital Group, LLC, a St. Louis, Missouri based developer of wind energy assets. The "Bent Tree Wind Farm" site has the potential to produce up to 400 megawatts of emissions-free energy if completely developed, enough potential capacity to power up to 100,000 homes. WPL currently anticipates the purchase of the site to be complete by October 2008. WPL plans for the first 200 megawatts to be in commercial operation by the end of 2010. A decision regarding the development of the wind farm's additional 200 megawatts has not yet been made.



Barbara Swan, President-WPL said, "This potential purchase aligns squarely with Governor Doyle's vision that 25 percent of all the energy serving Wisconsin customers comes from renewable sources by 2025. This is a great start, as we work toward addressing the critical balance of meeting important environmental objectives with the equally important goal of providing reliable and affordable power to our customers."

"The Bent Tree Wind Farm represents a continuation of our work to bring wind energy home to rural communities," according to Wind Capital Group President Tom Carnahan. Construction is currently underway at the Cedar Ridge Wind Farm, WPL's first fully-owned and operated wind farm. The 68 megawatt wind farm in the townships of Eden and Empire in Fond du Lac County, Wisconsin, is expected to begin commercial operation by the end of 2008. In addition, the proposed expansion of the Nelson Dewey Generating Station, in Cassville, Wisconsin, is being designed with the capability to utilize coal, in addition to renewable resource fuels, such as wood, corn stover, or switchgrass.

Public Service Commission of Wisconsin Approves Wisconsin Public Service Corporation Purchase of enXco Wind Farm

Wisconsin Public Service Corporation (WPSC), a subsidiary of Integrys Energy Group, Inc. and enXco, an EDF Energy Nouvelles company based in California, have agreed to terms of a transaction in which WPSC will purchase a 99-megawatt wind farm to be constructed near Riceville in Howard County, Iowa, by enXco. The Crane Creek wind project is expected to cost \$251 million for acquisition and construction-related activities with closing of the sale to occur in the third quarter of 2008.



On Friday April 18, 2008, the Public Service Commission of Wisconsin (PSCW) approved the purchase by a 3-0 vote. On the same day, enXco received Board of Director approval, clearing the way for the parties to sign agreements finalizing commercial terms and conditions for the construction and sale of the project to WPSC.



The final transfer of development rights to WPSC will be subject to the cost of project interconnection to the transmission system based on a facility study yet to be completed by the Midwest Independent System Operator. It is also subject to standard real estate closing procedures associated with the transfer of easement rights from private landowners that allow construction and operation of the project.

The wind farm should be operational late in December 2009, helping WPSC to reach its state-mandated Renewable Portfolio Standard (RPS) target of generating 10% of its retail electrical sales with renewable power by 2015.

WUI Board Meets to Discuss Legislative and Regulatory Goals for 2008

On April 3rd, the WUI Board of Directors met at WUI Offices in Madison to review progress thus far, and make plans for legislative and regulatory activities during the coming year. WUI Chairman Roger Cole and Executive Director Bob Seitz covered recent successes and outlined challenges. Board members also discussed ways to increase WUI membership and enhance grassroots efforts among members.



*Roger Cole, Chairman,
WI Utility Investors*



*Bob Seitz, WUI
Executive Director*

is published bimonthly
for the members of the
Wisconsin Utility Investors.

May 2008
Volume 6, Number 4

2006 - 2007

BOARD OF DIRECTORS

Chairman, Roger Cole
Vice-Chair, Arlene Logan
Secretary, Ralph Baeten
Treasurer, Thomas Cassidy
Asst. Treasurer, Kenyon Kies

Ralph Baeten
John Hanson
William Huegel
Richard Krueger
Robert Logan
Mark Maranger
Patrick Watkins

EXECUTIVE DIRECTOR
Robert Seitz

**WISCONSIN UTILITY
INVESTORS**

10 East Doty Street, Suite 500
Madison, WI 53703-3397
P: 608 663.5813 • F: 608 283.2589
www.wuiinc.org

Xcel Hydro Leader in Chippewa County Wisconsin

Excel Energy has 19 dams in Wisconsin that generate electricity. The company, which has home offices for its Northern States Power-Wisconsin division in Eau Claire, is committed to seeing 30 percent of its retail sales come from renewable energy sources by 2025, according to David Donovan, manager of Regulatory Policy.



The Chippewa River drops nearly 700 feet in elevation along its length, making it ideal for hydroelectric generation. Xcel owns six generating plants in the Chippewa Valley along the river: Holcombe, Cornell, Jim Falls, Wissota, Chippewa Falls in Chippewa County, and the Dells in Eau Claire. They had a combined capacity of 194.8 megawatts in 2005. The plants are used primarily for "peak" load times. Although hydropower is clean and "green", competing environmental concerns make it difficult to expand its use in the state.



**NOT A WUI MEMBER? JOIN NOW AND HELP US
PROTECT YOUR UTILITY INVESTMENTS!
CHECK OUR WEBSITE AT WUIINC.ORG**

PRSR STD
US Postage
PAID
Madison, WI
Permit No. 2783

Wisconsin Utility Investors
10 East Doty Street
Suite 500
Madison, WI 53703-3397