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Senator says We Energies failing consumers

Utility should use new financing, he says

By THOMAS CONTENT
tcontent@journalsentinel.com

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We Energies has failed to save customers money by not using a new, less costly way of financing environmental projects at aging power plants.

That assessment came Friday from a key energy policy leader in the state Senate. Sen. Robert Cowles (R-Green Bay) said he's so upset about rising electricity prices that he will introduce a bill that could end up requiring utilities to use the cheaper funding plan.

Cowles was chairman of the state Senate's energy and utilities committee when We Energies proposed a bill that would use borrowing to pay for environmental upgrades. Under that plan, the utility would not forgo profits on the cost of environmental upgrades.

Cowles said he thinks the utility shouldn't be asking regulators to make a profit from complying with environmental mandates.

"Most people would say these things need to be done as efficiently as possible and not be a money-maker for the company," he said.

At the time it was debated, the financing plan was projected to save ratepayers about one-third the cost of the environmental projects.

Instead, a 15% to 28% price increase pending before state regulators would fund \$220 million of the \$750 million price tag for the Oak Creek scrubber project, said We Energies spokesman Barry McNulty.

We Energies rates are projected to lead to a monthly rise in electric bills of \$6 a month next year and another \$6.50 in 2009 under a plan pending before state regulators, in part to pay for the environmental upgrades at the aging coal-fired boilers in Oak Creek.

The 15% increase would be much higher, except that customers are expected to receive at least \$600 million back from the utility if regulators endorse the \$1 billion sale of the Point Beach nuclear plant.

The proceeds from the nuclear plant sale - \$600 million to \$700 million - represent a much bigger savings to customers than the environmental financing mechanism would have yielded, McNulty said.

It was the utility itself that first proposed that financing plan, McNulty said. The Legislature created it several years ago and the utility was in discussions last year with state regulators over a plan to use that funding plan.

Cowles said he was told by utility officials that the company has "no intention" of using the less-expensive financing plan because it is worried about replacing the earnings it would lose if the Point Beach sale moves ahead.

"It's all about earnings. The beleaguered ratepayer - they're second-rate from the point of view of this utility, and that's why this bill is going to be out there and the question is, does the Legislature, governor and PSC have the fortitude to stand up to this outfit that is a major player in campaigns."

Cowles said he wants to see the utility's customers, whose bills have already risen sharply in recent years because of rising fuel costs and construction of new plants, to get more relief.

But McNulty of We Energies said the utility hasn't ruled out using the environmental trust financing plan at some point. The loss of Point Beach from the utility's earnings stream is a factor, he said, but the utility believes that the sale price it negotiated will yield a "much more effective method to help relieve some of that upward pressure for our customers."

Cowles hasn't introduced his bill, but said he expects to win support from a coalition of customer groups.

Todd Stuart, executive director of the Wisconsin Industrial Energy Group and a former legislative aide to Cowles, said he would "absolutely" support a measure that would give the PSC the authority to require the utility to use the lower-cost financing.

"We were pretty upset when we were told they weren't going to use environmental trust financing, and we're still upset about it," he said.

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