

ELECTRIC RATES ARE ABOUT TO SOAR, BUT TO WHAT ENDS?

What environmental advocates must know, and how to fight back

Utilities are planning to invest billions in their grids. What are the real goals of this spending?

Investor-owned utilities (IOUs) throughout the US are announcing multi-billion-dollar grid investment plans with increasing frequency. In many cases, IOUs are requesting state regulatory approval to begin implementing these plans. While utilities claim the investments are required to accommodate growing levels of clean distributed generation, other motivations exist.

After decades of IOU lobbying to build ever more plants, there is now excess generation capacity in most of the US. Little new plant investment is needed, and transmission lines require more than a decade to plan, site, and build. This leaves distribution grid investment as the only avenue for IOUs to achieve aggressive earnings per share growth promised to Wall Street, and IOUs are seizing the opportunity with gusto:

- DTE Energy (MI): \$4.2 billion
- Ameren Missouri: \$5.3 billion
- Southern California Edison: \$2.0 billion
- Dominion (VA): \$3.1 billion
- Duke Energy (NC & SC): \$13.5 billion
- ConEd (NY): \$1.4 billion
- Consumers' Energy (MI): \$3.0 billion

The Wired Group offers the technical expertise required to effectively fight unnecessary grid investment and rate increases

Most proposed grid investment is unnecessary, and unlikely to deliver meaningful benefits.

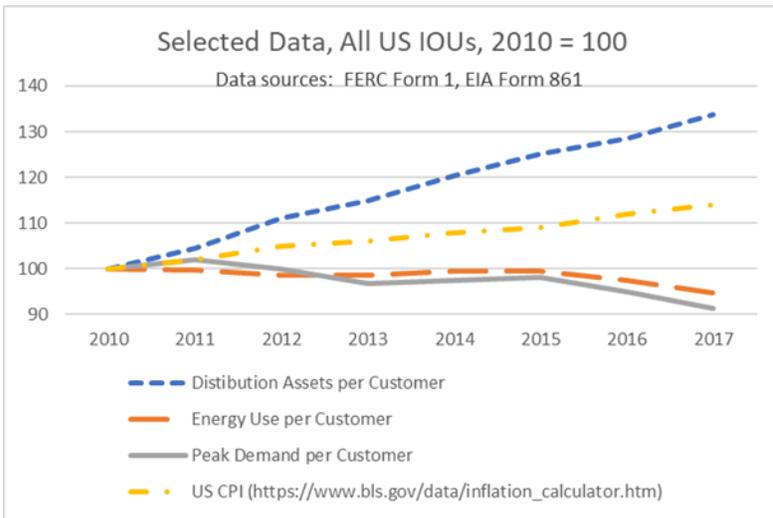
Utilities are wooing legislators with campaign cash, and promising both legislators and state regulators improved safety and reliability, reduced exposure to storms, the ability to reliably accommodate greater amounts of distributed generation, reduced operating costs, and jobs. While these are laudable goals, the level of distributed generation the existing grid can accommodate is actually quite high, and risks to reliability overblown.

The law of diminishing returns applies to grid modernization; each incremental capital dollar delivers fewer benefits than the dollar most recently spent. IOU job growth claims must be considered in light of the job reductions which will result from utility rate increases. Furthermore, to the extent IOUs unjustifiably use PV solar to justify grid investment, PV solar's inaccurate reputation as a costly generation resource is unfairly reinforced.

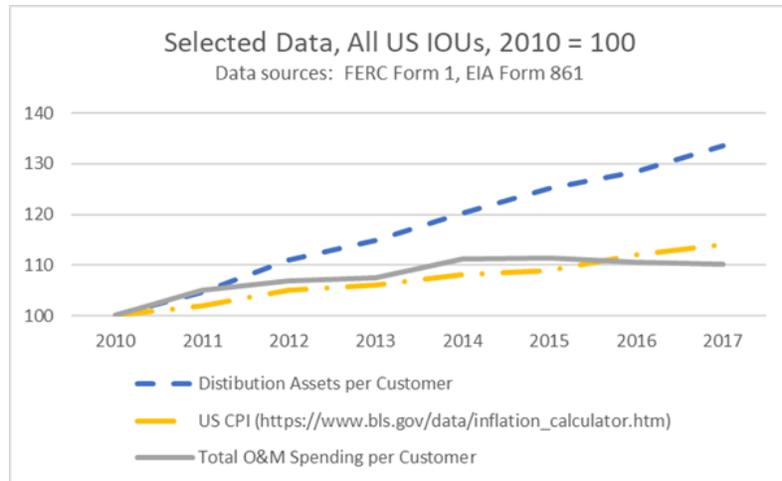
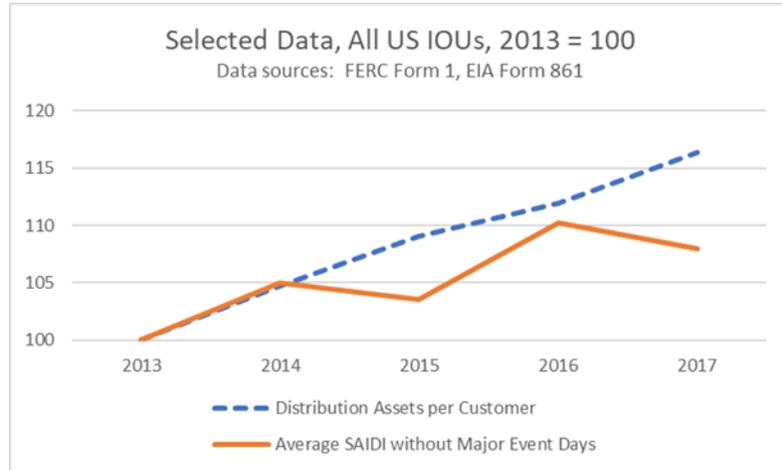
(Electric distribution rates are about to soar, continued)

IOUs' track record in delivering value from grid investments is very poor.

IOU financial and operating performance data published by the Federal Energy Regulatory Commission and the Energy Information Administration indicate that recent distribution investments have not been effective. Despite falling electric usage and demand, IOU investments in distribution have outpaced inflation by more than 3X:



The reason property owner/operator electric bills have remained stable is that distribution price increases have been offset by reductions in the price of generation fuel (natural gas). As natural gas prices are unlikely to fall further, a reckoning is coming. Combined with the impact of unnecessary grid investment, electric bills are about to soar. Yet past experience indicates that reliability has not improved, nor have operating costs fallen, as a result of recent IOU grid investments. In short, IOUs are committing customers to years of higher bills, and customers have nothing to show for it to date.



What can environmental advocates do?

Environmental advocates must intervene in IOU grid modernization cases to advance their causes at low consumer cost. They should pursue, and participate in, transparent grid planning processes reminiscent of resource planning. They should hire experienced experts to advocate for the minimum grid capabilities required to accommodate clean distributed generation forecasts. With the right processes and resources, environmental advocates can fight IOUs and win!

About the Wired Group

The Wired Group is the leading US expert for consumer, business, and environmental advocates fighting unnecessary IOU distribution investments. For more information visit www.wiredgroup.net or contact Paul Alvarez, President, at 303-997-0317.