

Creating and Hiding Demand for \$200- \$272 Billion in Utility Infrastructure

If the headline of this article read, “How to Create and Hide Public Demand for \$200 to \$272 Billion for Dairy Infrastructure Construction,” you would balk.

Would it become more plausible if the American Dairy Association was guaranteed 10-12% profit just on the *construction of dairy operations and cheese factories* with no financial risk of excessive production driving down milk prices?

As strange as this “economics” is, these are the rules that utility interests create and play by. FERC, The Federal Energy Regulatory Commission, is owned and operated by US utility interests. FERC makes up its own rules about how power will be sold on the nation’s vast electricity markets. Congress does not. Crucially, FERC guarantees its utility interests 10 to 12% profit on the construction of every power plant, transmission line, substation and distribution line that state utility commissions approve.

Demand for electrical power is flat. Growth has disappeared since 2007 not because of the recession as utility interests claim, but due to increasing efficiencies in equipment and dwellings and conservation responsiveness to bills that have soared 3.5% per year 2003-2016.

Over the same period of time, the traded price of electricity has dropped from five cents per kilowatt hour to about three cents per kilowatt hour. Today, about 30% of a typical electric bill pays for electricity, 15% for operation of one’s utility and the remaining 55% goes to payment on debt for already constructed power plants, transmission lines distribution lines. Instead of profiting by selling power, the industry now makes most of its profits by *putting new steel in the ground*.

Demand for *new steel in the ground* begins with fabricating a need for new transmission lines. This is easiest by assuming there will be new many power plants across the Midwest. But to openly propose many new power plants when demand is flat and many plants are under-utilized is certain to raise suspicions. The bold work-around is to hide the costs where no one will think of looking for them, like within a “No Action” baseline.

Every year, utility industry players in the Midwest come together and develop the annual, MISO Transmission Expansion Planning (MTEP). In 2017, when the underlying economic modeling for the Cardinal Hickory Creek transmission line proposal was developed, these utility interests decided to assume that \$200-\$270 billion in new power plants would be built through 2031. That’s right, assumed power plants all across the Midwest to create demand for transmission.

According to MISO, this shell game economics is fair because it is the product of a “transparent, stakeholder” process that includes input from ratepayers. But don’t expect, ratepayer, to be queried for input any time soon. Intervening parties learned at PSC hearings last week that MISO does not hold events aimed at electric customer input. Instead of a “bottom up”

input as MISO advertises, the economic planning used to estimate benefits from added transmission lines is sculpted by MISO’s own employees. When the planning is released to the public, such commotion is made over MISO’s future scenarios, few notice the neat billions of new power plants tucked away in each of them.

MTEP17: Cumulative Present Value Costs (2016-2031)

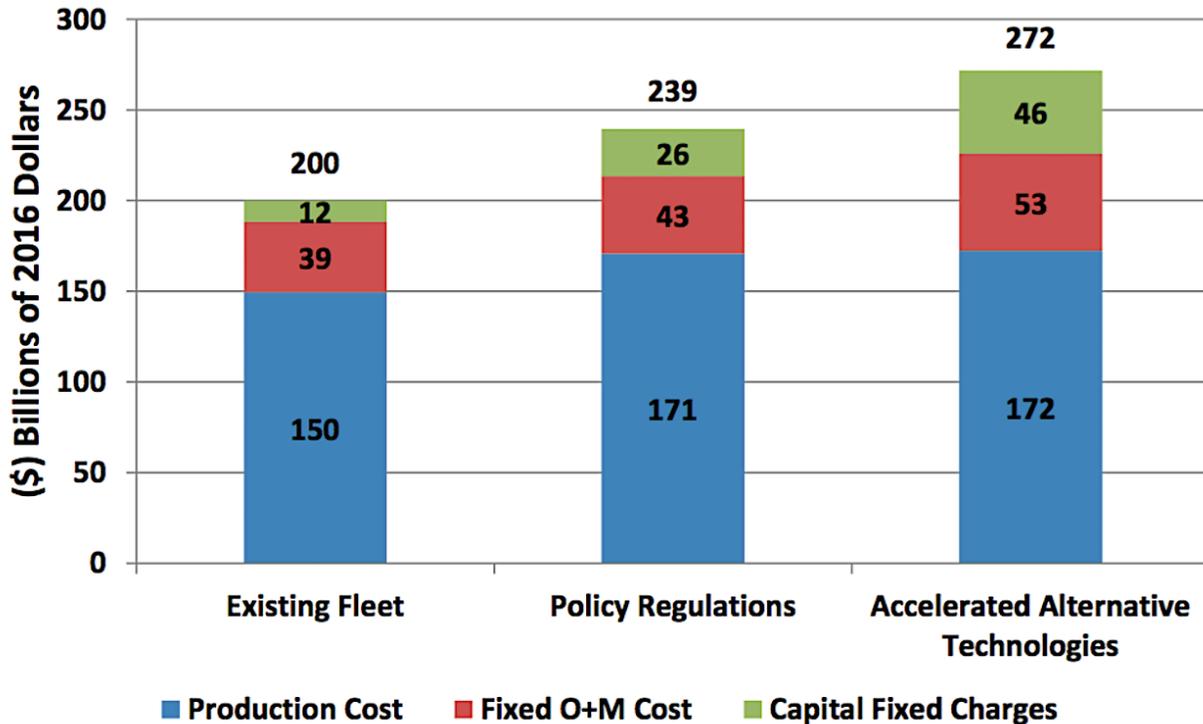


Figure 27: Present Value Costs

At 15% share of MISO’s regional expenses, Wisconsin’s percentage of the \$200-272 million in new power plant costs would range from \$2 to 2.7 Billion a year through 2031 for Wisconsin ratepayers. Clearly, these billions bury the potential “pennies per month” of net savings from CHC by many fold.

Ratepayers concerned about increasing electricity costs can bring attention to this deceptive tactic at the public hearings coming up June 25, 26 and 27.