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HEADLINE: Wisconsin Energy Company Defends Construction of Power Plants

BYLINE: By Lee Hawkins Jr.

BODY:

Wisconsin Energy Corp. is challenging critics of its 10-year power plant construction plan, saying the state's utility industry would be harmed by the competition envisioned by advocates of electric utility deregulation.

In a filing with the state Public Service Commission, the Milwaukee parent of Wisconsin Electric Power Co. painted the state's utility industry as still in need of regulation and an aggressive power plant building program to close the widening gap between supply and demand.

"The opponents of (the plan) are criticizing a tangible proposal to increase energy supply in Wisconsin by pointing out that -- as a matter of theory -- it is possible to conceive of an even better approach, one that relies on frictionless, perfectly competitive market," the company said in its filing. "Ideology isn't going to keep the lights on."

The utility's comments were in response to objections raised by a coalition of state businesses, independent power producers and others, who advocate less regulation, more competition and the right to choose providers as an alternative to Wisconsin Energy's plan.

Wisconsin Energy said in February it would spend \$ 7 billion to build five new power plants, refurbish others, improve its distribution system and shutter a coal-fired plant in Port Washington.

Wisconsin Energy will create a limited liability company to own and operate the new plants. It will own 80 percent of the new company, and two smaller utility companies would be given the opportunity to own the rest.

Wisconsin Electric, the electric utility subsidiary of Wisconsin Energy, would lease the plants from the new company and share as much as 20 percent of the power generated by the plants with the co-owners.

The lease arrangement, which must be approved and monitored by the PSC, allows customers to share in the cost of building and running the plants so their rates can be partially offset by the income the plants generate.

State Public Service Commission guidelines allow interested parties to comment in writing on

building projects before public hearings are held. The utility was allowed to respond to the comments.

Throughout the filing, Wisconsin Energy stressed the urgency of building new generation capacity in Wisconsin. State utilities should produce most of the generation rather than rely on outside companies to provide power, the company argued. That would help the state avoid an energy crisis similar to that in California in recent months.

Wisconsin Energy directed most of its comments at Wisconsin Initiatives Seeking Energy Reform, which represents some large industrial power users. Attorneys for WISER argue that Wisconsin Energy's plan could cost \$ 7 billion more than it would under a traditional rate-based system.

Among other things, the group is concerned that Wisconsin Energy could dominate the market if it is allowed to build 70 percent of the state's new generation plants.

"By essentially locking up the vast majority of new generation needs..." WISER said, "WEPCO's proposal would likely discourage any other power producers from going forward with plans to build plants in eastern Wisconsin."

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