



To: Members of the Senate Committee on Utilities and Technology

From: Megan Novak, State Director, Americans for Prosperity - Wisconsin

Date: October 9, 2023

Subject: Support Ratepayers, Oppose SB 481

Chairman Bradley, and members of the Senate Committee on Utilities and Technology, thank you for the opportunity to provide testimony opposing Senate Bill 481.

Americans for Prosperity – Wisconsin believes freedom and opportunity are the keys to unleashing prosperity for all. Through our community of activists in every corner of the state, we advocate for solutions, based on proven principles, in order to tackle the country’s most critical challenges.

One of the growing challenges for Americans right now are high energy costs. Too many families and business owners are facing seemingly non-stop hikes in their monthly energy bills, which can limit their ability to live out their version of the American Dream. Unfortunately, the bill before this committee today, would risk yet another rate hike for Wisconsinites. With our state already having some of the highest electricity rates in the Midwest, another increase would be devastating to families and businesses already struggling under the inflationary economy of Bidenomics.

Senate Bill 481 would eliminate competition for building new large, regional transmission lines in Wisconsin, by only allowing current, incumbent companies to build these projects. Said in other terms, Senate Bill 481 increases costs for Wisconsin families and businesses, by eliminating the benefits of free market competition such as consumer-friendly financing packages that can include cost caps on overruns and delivering projects on time.

Competition is critical in all sectors of our economy, regardless of how regulated that sector is. The Legislature in recent years has correctly used public policy to support competition to drive better outcomes for consumers. For example, in K-12 education we continue to support and work to expand education options to give families a choice and in hopes that it drives all schools to improve outcomes for students. Health care is another highly regulated industry, but there are continued efforts to push competitive forces to improve access to high quality and affordable care.

The energy and utility space should be no different than these examples.

In Wisconsin, a transmission owning utility can earn up to a 10.52% profit on any new line they build through their authorized 'return on equity'. Eliminating competition in these massive projects also eliminates any incentive to keep project costs down or for the company to even consider lowering this return on equity.

We have seen from other projects that have been let to bid that competition does in fact save millions of dollars in the long run:

- \$1 billion estimated savingsⁱ from two new electricity transmission projects in Maine.
- \$900 million estimated savingsⁱⁱ on the largest-ever competitive bidding process for a transmission project in the country in New Jersey.
- \$500 million estimated savingsⁱⁱⁱ on the Empire State Transmission Line in New York.
- \$58 million estimated savings^{iv} on the Wolf Creek to Blackberry transmission project in Kansas and Missouri.
- \$26 million estimated savings^v on the Minco-Pleasant Valley Draper project in Oklahoma.
- \$84 million estimated savings^{vi} on the Crossroads- - Hobbs – Roadrunner upgrade project in New Mexico.

For another example of the importance of competitive bidding, attached to this testimony is the MISO selection report for the Hiple to IN/MI State Border 345 kV transmission project. Developer C was the winning bid for this project. As you can see, their bid included a lower 9.8% initial return on equity, with additional ROE reductions for any project delays, along with annual revenue caps. The winning bid came in at over \$1.2 million lower per mile than the highest bid – a 26% savings for ratepayers.

From economic analysis and studies to these real-life examples, competition on transmission projects can and does reduce costs to consumers by up to 33% or more. These real-life examples show the significant savings that will be realized by ratepayers in other states – shouldn't Wisconsinites expect to benefit from similar savings as well with billions of dollars of new transmission line projects coming to our state over the next few years?

Proponents of this legislation have stated two main reasons why incumbents should not have to compete for future projects: built in savings from being an incumbent and reliability. To the first, we say prove it. If there truly are built in savings from already operating in Wisconsin, any competitive bid an incumbent company submits for a project should reflect these savings and likely give them a leg up in the bidding process. On the point of reliability, the companies that are eligible to bid on MISO transmission line projects must go through a robust application process that includes strict and rigorous requirements on reliability. There are nearly 50 companies, including Wisconsin's incumbents, that MISO has reviewed and approved for competitive bidding, based in part, on their reliability.

In Wisconsin, families and businesses are already struggling with rising energy costs. Governor Evers' appointees to the Public Service Commission have approved double digit rate hikes over the last few years and are currently considering another round of substantial rate hikes for many customers.

AFP-Wisconsin hears almost daily from our activists and from voters we talk to on the phone and the door about their absolute shock in how much utility bills have already been increasing. These voters come from every corner of the state and every walk of life, but almost every single person our organization talks to is shocked and upset by their monthly bill.

Over time, Senate Bill 481 would only serve to make these problems worse: rate hikes on those who can least afford it and rate hikes that will make our manufacturing and business sectors less competitive nationally and internationally. Simply put, Wisconsinites cannot afford this policy.

Chairman Bradley and committee members, we strongly urge you to reject Senate Bill 481 and instead support competition and lower energy costs for all Wisconsinites.

ⁱ Maine Public Utilities Commission, *Commission Selects Winning Bids for Northern Main Transmission Line and Renewable Energy Projects*, (10/26/2022) available at <https://www.maine.gov/tools/whatsnew/index.php?topic=puc-pressreleases&id=9382450&v=article088>; see also Electricity Transmission Competition Coalition, *Competitive Electricity Transmission Bidding Process Saves Main Consumers over \$1 Billion*, (10/26/2022) available at <https://electricitytransmissioncompetitioncoalition.org/competitive-electricity-transmission-bidding-process-saves-maine-consumers-over-1-billion/>

ⁱⁱ New Jersey Board of Public Utilities, *New Jersey Board of Public Utilities Selects Offshore Win Transmission Project Proposed by Mid-Atlantic Offshore Development and Jersey Century Power & Light Company in First in Nation State Agreement Approach Solution*, (10/26/2022) available at <https://nj.gov/bpu/newsroom/2022/approved/20221026.html>; Also see Electricity Transmission Competition Coalition, *Competitive Electricity Bidding Process Saves New Jersey Ratepayers Billions of Dollars*, (11/1/2022) available at <https://electricitytransmissioncompetitioncoalition.org/competitive-electricity-transmission-bidding-process-saves-new-jersey-ratepayers-billions-of-dollars/>

ⁱⁱⁱ NextEra Transmission, *New York Gov. Hochul joins NextEra Energy Transmission to celebrate commissioning of Empire State Transmission Line*, (07/11/2022) available at <https://www.streetinsider.com/PRNewswire/New+York+Gov.+Hochul+joins+NextEra+Energy+Transmission+to+celebrate+commissioning+of+Empire+State+Transmission+Line/20311212.html>; also see Electricity Transmission Competition Coalition, *Statement from ETCC Chair Paul Cicio on NYISO's New, Competitively Bid Empire State Line Project*, (07/12/2022) available at <https://electricitytransmissioncompetitioncoalition.org/statement-from-etcc-chair-paul-cicio-on-nyisos-new-competitively-bid-empire-state-line-project/>

^{iv} Electricity Transmission Competition Coalition, "Competition Works" available at <https://electricitytransmissioncompetitioncoalition.org/competition-works/>

^v Southwest Power Pool, *Minco-Pleasant Valley-Draper RFP* available at <https://www.spp.org/documents/66929/minco-pleasant%20valley-draper%20rfp%20iepublic%20report.pdf>

^{vi} Electricity Transmission Competition Coalition, *Competitive Electricity Transmission Bidding Process Saves New Mexico Consumers \$84 million* available at <https://electricitytransmissioncompetitioncoalition.org/competitive-electricity-transmission-bidding-process-saves-new-mexico-consumers-84-million/>