

A bad deal for the UW

Why local folks are suing to stop huge campus power plant

By Chamond Liu

When UW-Madison makes a bad financial decision, or a bad environmental one, the public often doesn't have much recourse. But when state law has been breached, the decision is open to court challenge.

That's what's happened regarding the large power plant now being built on the Madison campus. It's co-owned by Madison Gas & Electric and the state of Wisconsin, and it's big enough to power every household in Madison, roughly 90,000 homes. For MGE's shareholders, the benefit is clear: Upcoming electric rate increases will provide them a guaranteed 12.1% rate of return.

For the UW, which intends to purchase steam heat from the plant, the picture is murkier. The university could likely meet its needs better by building its own, much smaller plant. Plus there are questions about cost, air pollution, noise from the plant's jet engines and cooling towers, water consumption from Lake Mendota, and backup power for the campus.

These are the kinds of questions that an Environmental Impact Statement prepared by the UW would have to confront. An EIS must evaluate reasonable alternatives for the specific purpose at hand — meeting campus utility needs. Moreover, state law mandates that state agencies perform an EIS for any "major action significantly affecting the quality of the human environment."

But the only EIS for this power plant concerned MGE, the private-sector partner. It examined alternatives for serving MGE's electric customers, but omitted alternatives for the UW, the public half of the partnership.

This apparent violation of state law is among the grounds on which a group of citizens, myself included, is challenging the power plant in Dane County Circuit Court. Our group, Friends of Responsible Energy, is represented by the Madison law firm of Garvey & Stoddard. The case is now fully briefed, and oral arguments are set for July 6.

The missing EIS, we believe, would make for some interesting reading. Take, for example, the issue of backup power for the campus. The project's most outspoken advocate, UW-Madison Chancellor John Wiley, has stated, "One major benefit... is its provision of 100% backup capacity for the campus." Yet the MGE project provides none.

In denying backup power as a component of the deal, Wisconsin's Public Service Commission argued that MGE can't arbitrarily favor one customer (like the UW) over another (like a fire station or hospital). The UW, it ruled, can get backup power only if it pays extra for it, like other customers.

How much? Wiley has claimed it's "difficult to quantify," but it's not. MGE set a dollar rate for backup power. Based on that rate, the missing backup power would be worth just over \$72 million in current dollars over the lifetime of the plant. This means that state government and the public were promised a \$72 million benefit which proved to be fictitious.

Was the UW devious or was it naïve? Either way, tens of millions of dollars in faulty accounting is bad news for the students

MGE: The power of money

Economists sometimes describe utility companies as "natural monopolies." Their customers have no choice but to support what the company wants. Here are some facts to consider:

- ◆ MGE's electric rates are the highest in Wisconsin.
- ◆ \$348,634 in political contributions from MGE and its subsidiaries have been uncovered so far.
- ◆ \$150,000 from MGE is itemized in an indictment against a Wisconsin state senator who sponsored no-bid legislation requiring the UW to "negotiate" with MGE for this power plant.
- ◆ UW System President Katharine Lyall owned, as of January 2003, 14,539 shares in Alliant Energy, the company responsible for building the MGE plant. Those shares are now worth about \$360,000, having gained \$38,800 since PSC approval of the project.

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and taxpayers footing the bill for the state's share of the partnership. If the UW were to do its own Environmental Impact Statement, a discrepancy that large would leap out. For fiscal reasons like these, non-MGE alternatives would necessarily merit consideration.

What are some alternatives for the campus? No doubt an EIS would examine the role that conservation, renewable energy and green buildings could play. It would look at the course taken by advanced engineering universities like Stanford, MIT and the University of Illinois — namely, their own cogeneration plants scaled to their own needs. These facilities are efficient, clean and economical. And independent studies show that the price of steam heat from such plants is much lower than MGE's price.

A plant scaled for the campus rather than for MGE would also be less damaging to the local environment. It would consume less water, produce less noise and vibration, and emit fewer air pollutants. The latter is of no small concern in cities with marginal air quality, like Madison, where ozone is already approaching EPA non-attainment levels and the incidence of asthma in schoolchildren has tripled over the last 15 years.

So far, the available evidence suggests that the MGE partnership is a bad fiscal deal for the state and a bad environmental one for the community. But we must reserve final judgment until the UW fulfills its EIS obligation.

The only way to ensure that public-private partnerships are "good deals" is for both parties to do due diligence. There is little doubt that the private sector knows how to look after itself (see inset). The public sector, however, needs serious encouragement. The EIS obligation under state law is a safeguard that, when fulfilled, ensures an open and informed decision-making process.◆

CHAMOND LIU, A NEAR-WEST-MADISON RESIDENT, IS A MEMBER OF FRIENDS OF RESPONSIBLE ENERGY-MADISON (FORE). FOR MORE INFORMATION, SEE WWW.FOREMADISON.ORG.

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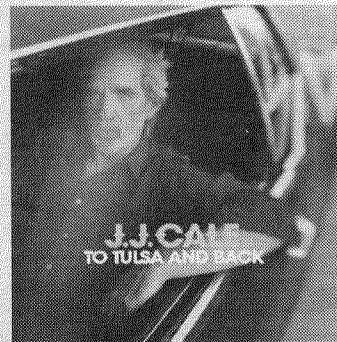
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