

**BEFORE THE  
PUBLIC SERVICE COMMISSION OF WISCONSIN**

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**JOINT APPLICATION OF WISCONSIN ELECTRIC  
POWER COMPANY AND WISCONSIN GAS LLC  
FOR AUTHORITY TO ADJUST ELECTRIC  
NATURAL GAS, AND STEAM RATES**

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**DOCKET 5-UR-110**

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**REPLY BRIEF OF CLEAN WISCONSIN**

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**I. INTRODUCTION**

In this time of economic uncertainty and hardship, Wisconsin Electric Power Company (“WEPCO”) and Wisconsin Gas (“WG”) (together “Applicants”) are proposing drastic rate increases that will disproportionately impact some of the most energy burdened residents of Wisconsin. *See* Walnut Way Initial Brief (“WW Brief”) at 2 (PSC Ref. #449420). Applicants’ proposed rate increases for residential customers announced at the outset of this proceeding were already significant and worrisome. In customer communications and sworn testimony the companies claimed they were proposing rate increases amounting to a \$6.00 per month increase in the average residential electric bill and a \$5.94 or \$6.39 per month increase for natural gas. Ex.-WEPCO/WG-Nelson-10; Direct-WEPCO/WG-Eidukas-4, 9. But over the course of this proceeding, Applicants changed position on their preferred revenue allocations. *Jt. Applicants’ Br.* at 3. Applicants now want the Commission to approve an electric rate increase of 13.09%, or \$14.61, per month and a gas increase of 10.66%, or \$6.72, per month for Wisconsin Gas customers and 13.8%, or \$7.71, per month for WEPCO Gas customers. Ex.-WEPCO/WG-Eidukas-SA2: Schedule 11. These are significantly higher than the initial

rate increases promoted to the public and contemplated in Applicants' testimony. They are also unjust and unreasonably burdensome to residential customers.

The Commission should reject Applicants' bait-and-switch adoption of WIEG's proposed revenue allocation and instead adopt Applicants' *originally proposed* revenue allocations or revenue allocations that do even more to protect low-income customers. *See* WW Brief at 20-24. In addition, and as discussed more fully in Clean Wisconsin's initial brief (PSC Ref. #449410), the Commission should set ROEs of 9.0% or lower and encourage Applicants to adopt Clean Wisconsin's performance incentive mechanism ("PIM") proposed in this proceeding to provide additional economic relief to customers.

## **II. THE COMMISSION SHOULD REJECT WIEG'S PROPOSED REVENUE ALLOCATION**

Applicants' original proposed increases of around \$6 per month each, for all three gas and electric rates, were already of great concern for many residential customers, particularly those with high energy burdens. WEPCO customer and Milwaukee resident Mandi McAlister said the proposed rate increases "will devastate our community." As she notes, "[t]he cost of energy is already unaffordable – many have to make the choice between paying for rent, food, medical care, etc." Ex.-PSC-Public Comment-McAlister (PSC Ref. #449642). *See also* Ex.-PSC-Public Comment-Jones (PSC Ref. #449564) "Enough is enough. We can barely live with all cost[s] rising and then to raise [rates] so much!"; Ex.-PSC-Public Comment-Walker (PSC Ref. #449273) "[A] lot of people are already struggling just to make ends meet every month with their bills and a hike in the price for gas and electricity won't do nothing but have a lot of US out here with no electricity or gas." (emphasis original); Ex.-PSC-Public Comment-Schwabe (PSC Ref. #449772) "The proposed increases will hit Wisconsinites hard, right as we are heading into winter and dealing with high inflation. I urge [the Commission] to

reconsider, there are vulnerable people that will suffer if this goes through.”

Now, Applicants argue that the Commission should adopt *different* revenue allocations proposed by Intervenor Wisconsin Industrial Energy Group (“WIEG”), a trade association for large industrial utility customers, that would result in significantly higher residential rate increases than those Applicants initially proposed and communicated to their customers. Applicants’ Br. at 3. The revenue allocations Applicants now support are unjust and unreasonable to residential consumers, and should be rejected by the Commission.

The revenue allocations originally supported by Applicants were designed to mitigate rate increases for residential customers during the current economic downturn and associated cost pressures. Stasik, Tr. 67-383, pp.266-267; *see also* Citizen’s Utility Board (“CUB”) initial brief (“CUB Brief”) (PSC Ref. #449412). To be clear, Applicants original revenue allocation proposals already included residential rate increases, but the record in this case suggests that Applicants, as a matter of policy, recognized the importance of balancing revenue allocation in favor of residential consumers at this time and proposed increases tempered to reflect that. Given the circumstances this is a reasonable and thoughtful policy choice—WEPCO has 1,029,080 residential electric customers which make up 88.1% of all WEPCO electric customers. Rebuttal-CUB-Singletary-25:5-10. And, as discussed above and in detail in Walnut Way’s brief and testimony, Applicants’ customers include a disproportionately high level of low-income households already suffering from high energy burden. *See* WW Brief at 2.

Despite recognizing the importance of protecting residential customers in the first instance, Applicants now support revenue allocations that favor industrial customers *at the expense* of residential customers. Under the current economic conditions, and with knowledge

that Applicants themselves initially took the position that providing some relief to residential customers is appropriate under those conditions, the Commission should reject WIEG's proposals and adopt revenue allocations in line with Applicants' initial proposals or ones that go even further to protect residential customers.

### **III. THE COMMISSION SHOULD APPROVE ROEs AT OR BELOW 9.0%**

Clean Wisconsin has reviewed the initial brief filed in this proceeding by Applicants (PSC Ref. #449422) and has not identified any arguments that challenge the conclusions drawn in its own initial brief (PSC Ref. #449410) regarding the ROE decisions before the Commission and therefore offers limited responses to Applicants' brief on that issue here. As this response, Clean Wisconsin's initial brief, and the initial briefs of Walnut Way (PSC Ref. #449420) and CUB (PSC Ref. #449412) demonstrate, the record supports ROE reductions to 9.0% or below for both WEPCO and WG.

As discussed in detail in Clean Wisconsin's initial brief, the data and expert analysis presented in the record demonstrate that Applicants' proposed ROEs are well above the required return of investors, will not prohibit investment in the companies, and most importantly, are unjustified and unreasonable when considering the balance between investors and consumers at the center of this rate case. The Commission has sufficient basis to approve ROEs at or below the 9.0% proposed by CUB as just and reasonable, and current economic conditions make such a decision good policy for Wisconsin.

### **IV. THE COMMISSION SHOULD ENCOURAGE APPLICANTS TO ADOPT THE PIM PROPOSED BY CLEAN WISCONSIN**

As explained more fully in its initial brief, Clean Wisconsin has developed and proposed a cost-effective energy efficiency pilot program using a Performance Incentive Mechanism ("PIM"), consistent with the Commission's ongoing investigation regarding the

potential of Performance Based Ratemaking (“PBR”) to help Wisconsin meet its policy goals in Docket 5-EI-158. Direct-CW-Lane-35. This proposal, paired with a reasonable reduction in ROE would result in significant customer savings, while allowing WEPCO to earn on its energy efficiency investments. Direct-CUB-Singletary-r-17. Encouraging WEPCO to adopt a PIM is even more important if the Commission chooses to approve rate increases at or greater than the original increases proposed by Applicants. By funding energy efficiency efforts, WEPCO can help ensure its customers have access to energy saving resources to mitigate higher energy bills while providing the company with an opportunity to earn on its energy efficiency investments. *Id.*

## V. CONCLUSION

For the reasons stated above, in Clean Wisconsin’s initial brief, and in the record, the Commission should:

1. Encourage WEPCO to apply for an energy efficiency pilot project using a performance incentive mechanism.
2. Set ROEs lower than both Applicants’ requested ROEs and CUB’s proposed ROEs.
3. Adopt revenue allocations as originally proposed by Applicants, or ones that further reduce the residential rate increases.

Dated this 19th day of October, 2022.

Respectfully Submitted,

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