



Wisconsin Public Utility Institute
Bar Association Energy, Telecommunications and Water
Law Update 2015

Overview of Changes at the Public Service Commission of Wisconsin

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AGENDA

- What's New
 - Organizational Structure, Operations, Personnel
 - Status of PSC 2 rewrite
- Hot topics in 2014 and what to watch for in 2015
 - Rate Cases
 - Distributed Generation
 - Construction
 - Focus on Energy
 - Municipal Utility Issues

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New Faces

- Three governor-appointed commissioners serve staggered, six-year terms.
 - Commissioner Eric Callisto's term expires March 1
 - Mike Huebsch appointed to fill this vacancy
- New EAs

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New Roles

- March 1 opportunity to appoint Chairperson who serves two year term
 - Commissioner Nowak appointed to be Chairperson
 - Bob Seitz, Executive Assistant to Chairperson
- Jeff Ripp, Administrator, Gas and Energy Division

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New Staff

- Personnel transactions have increased
 - 2013 16 FTEs and 2 LTEs
 - 2014 13 FTEs and 5 LTEs
- So far in 2015
 - Hired 11 FTEs and 3 LTEs (2 additional LTEs will start in March)
 - Likely additional 11 or so additional positions, including assistant administrator, WEPA coordinator, State broadband director, engineers, auditors, rate analysts and others

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Practice and Procedures

- Wis. Admin. Code ch. PSC 2
 - Status
 - Overview of some proposed changes
 - Use of filing guidelines instead of long PCM
 - Computation of time to conform to Wis. Stat. §990.001(4)
 - Updating filing and service requirements in light of ERF
 - Notice to customers regarding rate increases
 - Confidential handling requirements
 - Discovery

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Hot Topics

- Rate Cases
- Distributed Generation
 - Distributed generation (DG) refers to electricity that is produced at or near the point where it is used. Distributed solar energy can be located on rooftops or ground-mounted, and is typically connected to the local utility distribution grid.
 - Personal consumption
 - Net metering—selling what you don't use back to the utility
 - Challenges it presents for the utility and the regulators
 - Rate design
 - Is it a public utility

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What's New in Rate Cases

- Recent change made effective this test year as to how IOUs structure gas and electric rates
- Overview of ratemaking process
- Overview of types of costs recovered in rate case
 - Fixed costs
 - Variable costs
- Traditional model collected more of the revenue from variable energy charges on a Kwh charge
- Entire rate design must recover the test-year rev req
 - What isn't recovered in fixed is recovered in variable

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What's New in Rate Cases

- 2 general categories of service provided by utility
 - Reliable and adequate energy service 100% of time
 - Fixed costs associated with that (plants, poles, wires, meters) doesn't change with usage
 - Electricity itself
- Goal in ratemaking is to provide accurate price signals of the actual cost of providing service and electricity

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What's New in Rate Cases

- Reasons for change
 - Increase facilities charge to move it closer to the fixed costs of the utility for connecting to grid, meter costs, billing and other costs that don't vary with usage
 - If fixed cost too low, customer receives incorrect price signal that the cost to provide access to the electric system is lower than it actually is

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What's New in Rate Cases

- What changes looked like
 - 5-UR-107 WEPCO (\$9 to \$16)
 - 3270-UR-120 MGE (\$10 to \$19)
 - 6690-UR-123 (\$19, \$25, \$40 for residential, small single phase commercial, and three-phase customers, respectively)
- MGE Community Conversation (letter to customers)
- Municipal Utilities following suit
 - Whitehall, 6490-ER-106 (\$8 to \$16 single phase; \$18 to \$26 three phase)

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Distributed Generation

- Tariff Changes (past and present)
 - System size (20kW, 100kW, 300kW)
 - Renew Lawsuits (WEPCO and WPSC)
 - Buyback rate (LMP plus avoided cost of transmission)
 - Renew Lawsuit (WEPCO)
 - Netting structure-monthly vs. annual
 - Renew Lawsuit (WPSC)
 - Charges (facilities charge, demand charge)

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Distributed Generation

- “Public Utility”?
 - Owns, operates, manages or controls “any part of a plant or equipment within the state, for the production, transmission, delivery or furnishing of heat, light, water or power either directly or indirectly to or for the public” Wis. Stat. § 196.01(5)
- Third-party ownership

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Distributed Generation

- *City of Sun Prairie v. PSC*, 37 Wis. 2d 96 (1967)
- *Cawker v. Meyer*, 147 Wis. 320 (1911)

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Construction

- New Generation
 - Last several years, little new generation capacity has been brought into service
 - Decommissioning of Kewaunee nuclear plant
 - Pending retirement of several smaller and older coal facilities
 - 2016 – 2019 combined need for additional contracts and/or generation of 200-600 MW for some Wisconsin utilities
 - Alliant: considering building or purchasing a power plant, converting current one, or purchasing power from another source

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Construction

- New Generation
 - WPSC Fox Energy Center 3, Docket 6690-CE-202
 - 1/21/15 application
 - 400 MW natural gas combined cycle
 - WPSC-owned land in Village of Wrightstown in proposed location (2 options) on the boundary of existing Fox Energy Center
 - \$517 million
 - Planned in service date December, 2018
 - Application not yet deemed complete

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Construction

- Natural Gas Extensions
 - WCL case, 6650-CG-233
 - Certificate of authority to construct a natural gas transmission lateral from Viking interstate pipeline to the city of Tomah (74 miles)
 - Authority to provide natural gas service to municipalities in project area
 - Additional capacity needed to serve existing load and potential new load
 - Accuracy of load growth projections

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Construction

- Natural Gas Facilities
 - Oakdale, 6680-CG-154
 - Sand mines requesting extension, and potential additional residential and commercial customers
 - 22.5 miles, \$4,625,799
 - Reopened, significantly larger anticipated load
 - Larger pipes
 - New route
 - \$17.2 million
 - Approved subject to conditions

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Local and Regional Reliability Issues

- Transmission
 - 3 Pending CPCNs before the Commission for action this year
 - 5-CE-142 – Badger Coulee
 - Holmen to Madison, 160-180 miles, \$540-\$580 million
 - 137-CE-166 – Bay Lake
 - Appleton to Morgan, 50 miles, \$300-\$327 million
 - 137-CE-176 – Branch River
 - New substation in Manitowoc county, interconnection in Sheboygan and Forest Junction, \$41-\$46 million

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Local and Regional Reliability Issues

- Presque Isle Power Plant (PIPP)
 - Background/History
 - SSR Unit needed for reliability
 - Who pays to run this unit?
 - Pro Rata, ATC footprint?
 - » No, said FERC in July 2014 Order, 148 FERC ¶ 61,071 and reaffirmed in Feb. 19, 2015 Order, 150 FERC ¶ 61,104
 - Those of benefit should pay
 - » How determined?
 - » What does that mean for Wisconsin ratepayers

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Focus on Energy

- Wis. Stat. § 196.374(2) energy utilities collectively establish and fund statewide energy efficiency program.
- Commission charged with its oversight
 - maximize coordination of program delivery, including coordination between programs, low-income weatherization programs, renewable resource programs and other energy efficiency or renewable resource programs. The commission shall cooperate with the department of natural resources to ensure coordination of energy efficiency and renewable resource programs with air quality programs and to maximize and document the air quality improvement benefits that can be realized from energy efficiency and renewable resource programs.
- Indep. Evaluation: 2013 program achieved 3.41 benefit cost ratio

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Focus on Energy

- Wis. Stat. 196.374(3)(b)1
 - At least every 4 years, after notice and opportunity to be heard, the commission shall, by order, evaluate the energy efficiency and renewable resource programs under sub. (2) (a) 1., (b) 1. and 2., and (c) and ordered programs and set or revise goals, priorities, and measurable targets for the programs. The commission shall give priority to programs that moderate the growth in electric and natural gas demand and usage, facilitate markets and assist market providers to achieve higher levels of energy efficiency, promote energy reliability and adequacy, avoid adverse environmental impacts from the use of energy, and promote rural economic development.
- Quadrennial Planning Process II (2015-2018) completed
 - Sept. 5, 2014 and Nov. 21, 2014 Final Decisions (Docket 5-FE-100)

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Focus on Energy

- Highlights from Quad Planning
 - Established fairly aggressive energy and demand goals
 - Need for additional research before deciding whether appropriate to differentiate incentives for on-peak and off-peak energy
 - Free-ridership
 - Water/Energy
 - Count energy savings from water
 - Building codes
 - Carbon-continue to use the program to better position WI to cost-effectively meet any federal carbon standards

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Focus on Energy

- Renewables
 - \$5 million for incentives (with \$450,000 allocated to prescriptive incentives) and \$10 million for revolving loan program
 - Report back to Commission before mid-2016
 - Incentive and loan cannot equal more than 50% of project cost
 - Eliminate Group 1 and Group 1 percentage split

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Municipal Utility Issues

- Frozen Laterals
- Tax Roll Changes
- New Service Rules for Tenants

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Frozen Laterals

- Wis. Admin. Code § 185.88
- Utility required to place its laterals at such depth to protect from freezing
- Utility may request customer permit stream of water to run to prevent freezing provided bill adjustment given
- Responsibility for first thaw of customer's lateral on utility. Thereafter customer may have to pay if certain conditions met

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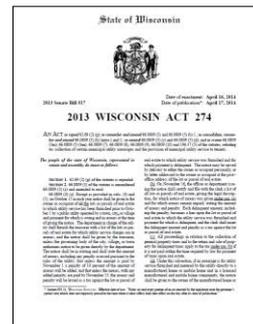
2013 Wisconsin Act 274

Tax Roll, Landlords and Tenants



2013 Wisconsin Act 274

- 2013 Wisconsin Act 274 – Enacted April 16, 2014
- Made various changes to tax roll provisions and permits utilities to adopt rules and practices that distinguish between customers who own or rent property
- The Commission has opened a rulemaking docket to conform the provisions of Wis. Admin. Code chs. PSC 113, 134 and 185 to Act 274. Docket No.1-AC-247





2013 Wisconsin Act 274

- Major provisions:
 - Changes to the tax roll process
 - Disconnection of electric (not water) at the request of property owner, in some situations
 - Disclose to the property owner whether a new or prospective tenant has past-due charges
 - Municipal utility not required to offer DPA to tenants
 - Municipal utility may adopt different application, deposit, disconnection or application rules for customer who are tenants

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Act 274 Overview

- Wisconsin State Statute § 66.0809(3) requires municipalities to place delinquent water bills on the tax roll as a lien against the property that was furnished with utility service. Electric bills can only be transferred if the utility has enacted an ordinance to do so.
- The transfer of arrears to the tax roll is a municipal process required by state law. The Commission does not regulate municipalities and only has limited jurisdiction over the tax roll process.
- Utility may not transfer arrearages being paid through a DPA. If default, then past due balance may be transferred

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Changes to Tax Roll Process

- Many changes apply only when a landlord has notified the utility in writing that a tenant is responsible for utility charges.
- Requires the utilities to notify landlords of tenant past due bills within 14 days. MEG-Water issued a memo in November to assist utilities in complying with this requirement.
<http://origin.library.constantcontact.com/download/get/file/1103106318118-262/Kobza+Memo+on+Act+274+Landlord+Notice.pdf>
- Creates a new lien process whereby the municipal utility will have a lien against a tenant's assets that must be transferred to the landlord if the landlord pays the arrears. MEUW, WWA, MEG-Water and WRWA are currently developing information to assist utilities in managing this process.

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Request for Pre-Approval of DPA Criteria

- A municipal utility must amend the service rules in its tariff prior to enforcing any rules in conflict with existing regulations or tariff language
- The Commission received a request to consider pre-approval of criteria related to when a municipal utility would not offer a DPA to a residential customer who is a tenant

8889-104457

BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Application to Open a Docket to Consider the Approval of Criteria Related to the Enforcement of Wis. Stat. § 48.08(5)

Decision By: _____

APPLICATION OF MEUW BY A LANDLORD

Pursuant to Wis. Admin. Code § PSC 11.02, the Honorable Director, Division of Wisconsin (MEUW) requests that the Public Service Commission of Wisconsin ("PSC") or the "Commission" open a docket to consider pre-approval of certain proposed criteria relating to the enforcement of municipal utility's liability under Wis. Stat. § 48.08(5) and to offer a defined pre-approval agreement to a residential customer who is a tenant. In order for the Commission to approve the proposed criteria, MEUW also requests that the Commission delegate to its staff the authority to approve an application for a municipal utility to amend its own file to include use in cases of the pre-approved criteria.

MEUW is a public utility company operating throughout the State of Wisconsin (WI) municipally owned electric utilities, each of which is a public utility under Wis. Stat. § 48.02(1).

BACKGROUND

Pursuant to Wis. Stat. § 48.08(5) municipal utilities have the legal authority to collect unpaid bills for utility services on the date of the property owner's death. Such unpaid bills are collected as property taxes. When the property owner is a tenant, the landlord can become responsible for the residential tenant's unpaid utility bills as they have become a lien on the residential tenant's property.

Regulation 11.02 was amended by 2011 Wis. Act 277, 2011 WI 77 and provides that a municipal utility is not required to collect utility bills from a residential tenant's estate.



Commission Review

- The Commission opened a docket (Docket No. 5-EI-152) and accepted comments on the proposed DPA criteria
- Comments were received from MEUW, MEG-Water, the League of Wisconsin Municipalities and Wisconsin Rural Water Association

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Pre-Approved Criteria

- **One or more of the criteria may be adopted by a municipal utility.**
- A municipal utility will not offer a DPA if:
 1. The residential tenant has greater than \$100 of account arrearages that are more than 90 days past due for utilities that bill monthly, or for utilities that do not bill monthly, has greater than \$100 of account arrearages that are past due for more than two billing cycles;

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Pre-Approved Criteria (cont.)

2. The residential tenant has defaulted on a deferred payment agreement in the past 12 months. This criteria only applies to deferred payment agreements and not to other types of payment extensions or agreements;

3. The residential tenant is responsible for account arrearages that were placed on any property owner's tax bill in the utility's service territory in the past 24 months; or

4. The residential tenant has a balance that accrued during the winter moratorium that is more than 80 days past due.



Streamlined Process

- A municipal utility must file and receive approval to modify its tariff prior to declining to offer DPAs to tenants

- Changes may be approved by Administrator of DWCCA

- A hearing is required before the Commission reviews and approves the changes





Use of Municipal Rights of Way

- Utility may use ROW and such use can be regulated of municipal regulation
 - Regulations must be reasonable
 - PSC ch. 130
 - PSC hears complaints about reasonableness/unreasonableness

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PSC Contact Information

- **Phone:**
 - General Inquiries: 1-888-816-3831
 - Consumer Affairs: 1-800-225-7729
- **Web Site:** <http://psc.wi.gov/>
- **Facebook:** <http://www.facebook.com/PSCWisconsin>
- **Twitter:** <http://twitter.com/PSCWisconsin>
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