

Electric Utility Service – What’s Important to Wisconsin’s Residential and Small Commercial Ratepayers?

The Elephant in the Room

- ✓ On average, the residential, commercial, and industrial electric power rates of Wisconsin’s five investor owned utilities are the highest in the Midwest. ¹

- ✓ Compared to the Midwest averages, Wisconsin’s average residential rates are currently 15 percent higher, commercial rates are 13 percent higher, and industrial rates are 12 percent higher.²

- ✓ Increasing rates, an increasing portion of which are fixed and therefore unavoidable (with threats of more to come), have some ratepayers thinking about options to traditional utility service.

¹ Midwest = Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin

² Public Service Commission of Wisconsin - *Strategic Energy Assessment 2022*, July 2016.

People Want Control – But Rate Options Can Come With Added Complexity

Most ratepayers want:

1. Reliable and safe service
2. At the lowest reasonable cost
3. Convenience
4. Environmental stewardship

For most ratepayers, the utility of the future probably will be the utility of the past:

- ✓ For most ratepayers, their interest and engagement in utility service starts - and ends - at the light switch, outlet, and monthly bill.
- ✓ Most ratepayers have little interest in, or knowledge about, the technical aspects of the grid, or utility operations, finance, or regulation
- ✓ But more ratepayers are thinking about, and some are actually seeking, options that increase their control over their energy usage and cost, without complicating their lives – is it possible to get both?
- ✓ Current proposals for time of use, demand, and fixed bill options are complex, and would require active and sustained monitoring and adjustments of energy use by the ratepayer to bear fruit in terms of lower rates – for that reason they may not appeal to many ratepayers

- ✓ Ratepayers are suspicious of the need for, and are anxious about, rate increases – setting aside whether these increases are justified or not, utilities are probably not doing a good job of explaining, from their point of view, the nature and cause of rate increases, or the steps available to the ratepayer to reduce costs; e.g., based on usage patterns, would another rate schedule be better for this customer – most ratepayers need more help with this.
 - Nationally, only 59 percent of ratepayers say they trust their utility³
 - Nationally, only 51 percent of ratepayers say they would recommend their utility to others
 - Nationally, ratepayers allocated 100 points across the categories of customer service, reliability, and value as follows: Customer service 45, reliability 32, value 23.

- ✓ Some utilities say residential distributed generation is a long-term threat to their business model, but very little residential distributed generation has been installed in Wisconsin – would it be even less if rates were lower, or even just stable?

³ Opower, *“Moments That Matter: A Customer-Centric Approach to Experience Management”* (opower.com – 2015)

The People Speak

The answer to the question “what is important to as a utility ratepayer” can differ substantially, but cost and affordability are constant themes – the following are excerpts from public comments in pending rate proceedings at the PSCW:

- ✓ “Fixed Cost Rate increases that are on the docket for approval this Fall do not reward consumer users that are trying to minimize their rate increase by carefully using electric and natural gas in their homes.”
- ✓ “I encourage Wisconsin Power and Light to reconsider their proposal to increase fixed fees . . . high fixed fees affect low-income families and seniors negatively. . . high fixed fees do not encourage less use . . . I favor a system that encourages more conservation and less use. “
- ✓ “Madison is already getting too expensive to live in. Minimizing electric/gas costs should be of the highest priority . . . Mandatory fees should especially be limited.”
- ✓ “Energy rates have been increasing at more than the rate of inflation putting a burden on consumers . . . If MG&E wants to keep increasing rates for ‘improvements for the transmission grid’, then they should be investing those improvements in renewable energy . . . We need the commission to keep rates affordable and our citizen’s best interest in mind.”
- ✓ “I object to the proposed rate increase . . . I’m low income and got by with a ceiling fan only this summer and last summer, partly to save money . . . I’ve heard and read news items that say our rates are the highest of other Midwestern states, even though we use less electricity . . . I also heard on T.V. recently that some are concerned that companies may move to other states . . . if this continues Wisconsin will then have fewer jobs.”
- ✓ “Raising customer charges is bad for business, bad for the environment, and bad public policy . . . Penalizes those people who have conserved energy, and encourages unnecessary energy waste . . . Increasing volumetric or inclining block rates are much more efficient and fair to everyone.”
- ✓ “This application to lower use rates is a smoke and mirrors tactic to mask the fact that their proposed rise in fixed rates will not produce any noticeable reduction in energy bills . . . In fact, those that use less energy will be paying more, thusly removing incentive for anyone from actively working to reduce their energy consumption, which eases impacts on the grid and the environment . . . You know what that makes me want to do? Invest in my own renewable system, therefore removing myself from their manipulative equation . . . Then what will happen to the grid? Demand will lower and prices will surge, further putting more people into a high energy cost situation . . . The answer to expanding our utilities is not raising fees - it’s stepping up into 2016 with innovative solutions that encourage people to remain with utilities.”
- ✓ “The application states that ‘more flexibility in TOU schedules will help all customers better manage energy consumption during periods of higher energy cost’ . . . I believe that this is a disingenuous statement designed to obscure the fact that the new proposed TOU schedule will benefit WPL financially at the expense of customers (like me) who already take advantage of existing Time-of-Day (TOD) rates designed to incentivize energy conservation.”

- ✓ “As a consumer who is held hostage to this provider - I am required no matter what to pay their increases . . . The more than doubling of their fixed costs is ridiculous . . . If they have not raised this rate since 1995 - it tells me they have not had to . . . Now in one fell swoop they are going to smack consumers in the face with this astronomical increase?”
- ✓ “I truly believe that this monopoly does not do enough to curtail their expenses . . .What are the alternatives for people like my wife and me that are on a fixed income . . . I really feel that the PSC has too many close relationships with the utilities that they regulate.”

Some General Principles

In general many ratepayers would probably agree with the following statements of principle regarding utility service, and these are principles CUB uses as a general yardstick by which to measure utility proposals:

- ✓ Ratepayers support the planning, construction, operation, and maintenance of an electric utility system that is adequate to safely and reliably meet the needs of customers at the lowest possible rates consistent with sound business principles.

- ✓ “Sound business principles” equate to prudent decision-making to achieve utility service that is 1) suitably sized to existing and forecast need, 2) designed to provide reliable and efficient service, and 3) affordable for individual and business ratepayers .

- ✓ The costs of utility service should be equitably allocated to customers consistent with principles of cost-causation and fairness .

- ✓ The electric utility system as a whole, and each utility individually, must continually strive to provide electric utility service at a cost resulting in a net economic benefit to individual businesses and Wisconsin’s economy as a whole. The cost of the electric utility system must not be so high that it is a drag on the economy, or an impediment to economic growth.

- ✓ Sounds good, but the devil is in applying the principles to the facts.

