

Docket 3270-UR-120
Witness: Gregory A. Bollom

Madison Gas and Electric

Exhibit 2

Letter to MGE Customers from Gary Wolter, Chairman, President and Chief Executive
Officer - Madison Gas and Electric

Public Service Commission of Wisconsin
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Madison Gas and Electric Company
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Gary J. Wolter
Chairman, President and
Chief Executive Officer

your community energy company

October 2, 2014

Dear Madison Gas and Electric Customer:

We at Madison Gas and Electric Company (MGE) are grateful for the privilege of serving the energy needs of customers in the Madison area for over 150 years. As your community energy company, our shared values of energy efficiency, reliability, affordability, and environmental responsibility have shaped our business and the services we offer. We are and will remain strongly committed to these principles.

As you may know, MGE is asking the Public Service Commission of Wisconsin (PSCW) to approve a restructuring of some of our rates. The changes requested would increase the typical residential electric customer's monthly bill by about \$2.80. The enclosed document shares with you information about why we submitted the request and what the request means for our customers. See mge.com for additional information.

As we look to the future, there are important questions that we must address such as how to maintain electric system reliability, how to preserve and equitably provide universal access to the electric system for all who want it, and how to make sure that we harness the benefits of new, renewable technology to move us to a cleaner energy future.

We request your help to address these questions. Within the next few months, we will begin an extensive community conversation on these important issues. Our effort will include opportunities to share information and to gather input from all of our customers, business and community leaders, key community organizations, civic groups, and others. This extensive and comprehensive effort we are planning could take twelve months or longer, and we'll keep at it until the job is done. The effort will go forward regardless of the outcome of our current request before the PSCW. And, we will not seek further rate restructuring until the effort is completed. What we may or may not request in the future will be informed by this important community-wide conversation. Please stay tuned for information about opportunities for you to share in the conversation about these important questions.

We hope that you and your neighbors will participate with us in this important dialogue. As a local company, we want to be responsive to community values and priorities. We look forward to this important exchange of information and ideas that will help us chart Madison's energy future together.

Sincerely,

Gary J. Wolter
Chairman, President and Chief Executive Officer

ah/Enclosure

Madison Gas and Electric

Answers to questions our customers have asked us about MGE's request to the Public Service Commission of Wisconsin (PSCW)

Introduction

MGE is your community energy company. As such we have always been—and will always be—committed to meeting your energy needs responsibly, fairly and by working together. This reflects both our corporate culture and our individual passion for how we work to make sure that everyone we serve has access to the energy they need.

The world of energy is changing dramatically, both in the ways customers use electricity and in the ways electricity is produced. As a result, the operational challenges and opportunities facing your community energy company are changing. We are working to ensure that the energy grid can reliably meet all customers' needs and incorporate future renewable resources such as solar. To do so, we must change how we operate to ensure that our ability to meet our essential responsibilities to our customers and our community is not diminished.

How we respond to our changing world is important.

- **Responding to change *responsibly*** requires understanding the technical and operational realities that shape our ability to meet our responsibility for the health and safety of our community and determining how best to honor community values while providing the energy upon which we all depend.
- **Responding to change *fairly*** requires understanding how best to protect and preserve universal access, recognizing the value that the grid provides for serving all customers and recognizing the importance of being fair and equitable in how all customers pay for reliable service.
- **Engaging our customers and community requires** extensive, meaningful discussion about our community's needs, values and options, and how to build an energy future that best serves and balances the interests of all whom we serve.

Questions and answers

Q. Why does MGE need to change some of its rates?

A. We have worked hard to understand what this rapidly changing future holds for our customers, our community and MGE. In the course of that work, four significant conclusions have emerged.

- As more and more of us manage larger and larger segments of our personal and work-related lives digitally, system reliability is becoming even more critical.
- In a world of constantly changing technology, securing and sustaining the “grid” that allows us to ensure reliability will become more complex.
- The electric grid has a continuing and even more important role to play as energy begins to flow not just from traditional, centralized sources but back-and-forth through the grid as we take increasing advantage of local, distributed resources.
- We have a responsibility to take steps now to protect the long-term viability of the grid and sustain universal access and service while taking advantage of local, renewable sources of energy on behalf of everyone in our community.

Our current proposal to restructure rates is based on these conclusions.

Q. What would the request before the Public Service Commission mean for a typical residential electric customer?

A. MGE has requested a rate change that would include an increase in the customer charge from approximately \$10.50 per month to about \$15 per month and establish a grid connection charge of about \$4 per month. These costs are offset by a slight reduction in the energy charge (per kWh). As a result, a typical residential electric customer
(continued...)

using 550 kWh per month would see very little change to their overall electric bill—currently estimated at less than \$3 a month.

Q. How does all of this affect MGE’s historic commitment to energy conservation, the use of renewable energy and to ensuring access for those with limited means?

A. The rate request continues to encourage energy conservation and increased use of renewable sources. More specifically, it has special provisions to protect the existing investments made by our customers in renewable sources of energy, like solar and wind, and continues to encourage energy conservation as well as the development and use of local renewable energy sources, like solar and wind. It also continues to recognize the needs of our economically disadvantaged customers.

Q. What are MGE’s plans to engage the community?

A. Within the next few months, we will begin an extensive community conversation on these important issues. Our effort will include opportunities to share information and to gather input from all of our customers, business and community leaders, key community organizations, civic groups and others. The effort will go forward regardless of the outcome of our current request before the PSCW. And, we will not seek further rate restructuring until the effort is completed. What we may or may not request in the future will be informed by this important community-wide conversation. Please stay tuned for information about opportunities for you to share in the conversation about these important questions.