April 19, 2013

Filed Electronically

Mr. Robert Norcross  
Administrator – Gas and Energy Division  
Public Service Commission of Wisconsin  
P.O. Box 7854  
Madison, WI 53707-7854

RE: 6630-GF-134

Dear Mr. Norcross:

On March 7, 2013 you sent out for comment a memo regarding Wisconsin Electric Power Company’s real-time pricing rate (“RTMP”) prepared by the Citizens Utility Board and its consultant. WEPCO and the Wisconsin Industrial Energy Group (“WIEG”) offer these joint comments.

WIEG represents over 30 large companies with operations in Wisconsin, which employ approximately 50,000 people. WIEG members represent many of the state’s largest energy consumers including automobile, chemicals, food processing, fabricating, metal casting, malting and paper companies.

WIEG supported WEPCO’s April, 2011 request for approval of the RTMP rate and WEPCO’s subsequent September, 2012 request to expand the RTMP rate to be available to a cumulative total of 150 megawatts of pre-subscribed billed demand on a first-come-first served basis.

The RTMP rate was designed to (1) encourage customers to respond to pricing signals; (2) assist industrial customers still recovering from periods of low energy consumption due to economic stress; (3) encourage existing customers to retain and expand business operations in Wisconsin instead of expanding elsewhere; and (4) provide an incentive for new customers to relocate to the state. The comments below will demonstrate that this rate has been successful in achieving these objectives.

Comments on the La Capra memo

WEPCO and WIEG reject the La Capra suggestion that the RTMP rate is not working as intended. The RTMP rate has worked extremely well in delivering much needed demand growth and jobs in the WEPCO service territory that would not otherwise have been developed.
Over the past 18 months alone, customers using the RTMP rate have added close to 1,000 jobs, an additional 200,000 MWh of usage and 26.4 MW of new load to WEPCO service territory. RTMP participants have increased their electric usage by roughly 23% and demand by 22% at a time when WEPCO’s overall sales growth for large commercial and industrial customers is projected to remain below 1%. These additional jobs, sales and capacity are from a combination of existing customers using more of their current capacity than they would have without RTMP, expanding current capacity because of RTMP or brand new customers who came to our territory also because of RTMP.¹

Further analysis tells a story of tangible growth resulting from the rate. Since its inception in September of 2011, the 33 subscribers, by grouping, have added MWHs, MWs and new jobs as follows: ²

<table>
<thead>
<tr>
<th>Grouping</th>
<th>Above Baseload MWH</th>
<th>% MWH growth</th>
<th>MW Growth</th>
<th>% MW growth</th>
<th>Jobs added</th>
</tr>
</thead>
<tbody>
<tr>
<td>New to Service territory</td>
<td>14,948</td>
<td>100%</td>
<td>0.5</td>
<td>20%</td>
<td>229</td>
</tr>
<tr>
<td>High Risk MWHs recovered</td>
<td>13,887</td>
<td>26%</td>
<td>1.5</td>
<td>26%</td>
<td>560</td>
</tr>
<tr>
<td>Remaining Customer Growth</td>
<td>184,896</td>
<td>19%</td>
<td>24.4</td>
<td>22%</td>
<td>177</td>
</tr>
<tr>
<td>Totals</td>
<td>213,731</td>
<td>23%</td>
<td>26.4</td>
<td>22%</td>
<td>966</td>
</tr>
</tbody>
</table>

It is important to point out that RTMP customers take price risks associated with wholesale market pricing that are not borne by other customers.

The RTMP rate was designed to achieve several objectives. One objective of the RTMP rate was to provide a pricing incentive to use power more efficiently. All time-of-use rates and on-peak demand price components provide customers with an incentive to manage load to cheaper hours. Customers tend to react to variable price signals by adjusting their usage in a way that better optimizes usage of generation and network capacity. Using market rates to price incremental load when the market prices are more variable than standard rate rates only enhances the incentive and potential benefits of using power efficiently -- at the point of lowest system demand and cheapest prices. For a program nearing 130 MW of pre-subscription average load, this load management incentive provides a notable benefit to all rate-payers, even if it were the only benefit of RTMP rate design. But it’s not.

The second goal of the RTMP rate is to enhance the incentive for growth and sales. An RTMP incremental load price running below 3 ½ cents per kWh in 2012, on average, is roughly half of the all-in price paid by a non-firm load customer on their average monthly bill. The savings is potentially even greater for a firm service customer. This provides a strong incentive for growth.

¹ La Capra’s study used 9 months data for 19 customers, only 7 of which had been on the rate the entire 9 months.
² Percentages indicate growth from Baselines that are derived from twelve months of historical consumption just prior to the customer’s subscription to the RTMP rider.
The graphic above shows four main numbers. The bar on the left represents the summation of baseline values for the entirety of program participants from September 2011 through February 2013 - roughly 791,000 MWhs - of which 28,000 MWHs represent new customer baselines and 39,000 MWHs are “High Risk MWHs”. The right hand bar shows incremental sales growth of roughly 214,000 MWH up to a program total of 939,000 MWH or roughly 23% incremental sales growth. This compares with a continuing sales growth of 1% or less projected for this rate class through 2014.

The chart above relies upon 18 months of data for 33 customers who are now receiving service under this tariff as opposed to La Capra’s study on 9 months of data for 19 customers—only 7 of which had been on the rate the entire 9 months. A growth pattern would be expected to take more than a few months to formulate. Thus, the growth trend and benefits of managed load that becomes obvious after 18 months of the program are less so after only 9 months data relied upon by the La Capra study.

What La Capra refers to as incremental sales “eating into” base rate sales is actually the effect of an increased incentive towards load management, including the natural response of the customer’s production planners to time-variant pricing, within the constraints imposed by the

---

3 High Risk MWHs refer to load that was lost to the state, then recovered, or has a high probability to be moved to a sister site out of state, according to the specific customers. The RTMP rider played a significant role in attracting and keeping this load in the state.
customer’s hours of excess production capacity. The same pricing incentives and capacity limitations face any primary service customer, without regard to subscription to the RTMP rider.

Conclusion

In its August 11, 2011 Final Decision approving the RTMP rate, the Commission directed the Gas and Energy Division staff to prepare an analysis of customer participation and sales made under the RTMP rate. WEPCO and WIEG look forward to working with the staff on this analysis. It is unclear what weight, if any, the Commission should give the La Capra memo since it only spanned a period of 9 months. The La Capra memo describes sales growth as “simply following historical trends”. This is factually inaccurate as demonstrated by the 23% growth in electric energy consumption by RTMP participants over the 18 months since the inception of the program.

Equally important, a significant number of customers on the RTMP rate have indicated to us that they may have moved some production out of our service territory prior to the RTMP rate. This is load that was maintained as a direct result of the PSCW’s approval of the RTMP rate.

Please feel free to contact us directly with any questions.

Sincerely,

James A. Schubilske
Vice President, State Regulatory Affairs
We Energies

Todd Stuart
Executive Director
Wisconsin Industrial Energy Group