BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Application of Wisconsin Power and Light
Company For Authority to Change Electric
and Natural Gas Rates for 2017 and 2018
Test Years

DIRECT TESTIMONY OF MICHAEL J. VICKERMAN

ON BEHALF OF RENEW WISCONSIN

Q. Please state your name, occupation, and address.

A. My name is Michael J. Vickerman. I am the Program and Policy Director of RENEW Wisconsin (RENEW). RENEW is a membership organization founded in 1991 that leads and accelerates the transformation to Wisconsin’s renewable energy future through advocacy, education, and collaboration. RENEW is located at 222 S. Hamilton St., Madison WI  53703.

Q. Please describe your professional qualifications.

A. Under my direction RENEW has advocated, and mobilized political support for, several pro-renewable policies adopted in the last 17 years, including the adoption in 2009 of uniform permitting standards for wind projects (SB 185) as well as the establishment in 1999 of Wisconsin’s Renewable Portfolio Standard and a public benefits fund dedicated in part to renewable energy sources. I have been involved with many issues relating to renewable electricity, ranging from broad policy
mandates and customer-driven green pricing programs to such technical issues as renewable energy credit trading and wind power permitting ordinances. I was RENEW’s representative on the statewide Task Force on Energy Efficiency and Renewables, which Governor Doyle convened in September 2003, and served as co-chair of the Renewables Workgroup. In that capacity I developed and negotiated several renewable energy policy recommendations for consideration by the full Task Force. These were: (1) a successor Renewable Portfolio Standard (RPS) that would result in a 10% renewable energy content by 2015 and (2) a State of Wisconsin commitment to source 20% of the electricity it uses from renewable energy sources. Both recommendations were included in a consensus package of proposed policy changes that were subsequently incorporated into a bill (SB 459) that passed the Legislature and was signed into law in March 2006 (2005 Act 141).

RENEW Wisconsin also spearheaded the Wind for Wisconsin coalition, whose campaign to establish uniform siting standards for wind energy systems resulted in the passage of 2009 Act 40. I am a member of the Wind Siting Council, a stakeholder body convened by the Public Service Commission (“PSCW”) to provide input and advice to the agency in shaping a statewide wind siting rule as required under 2009 Act 40.

I have testified in numerous Commission proceedings over the previous 10 years, including We Energies’ applications to build its Blue Sky Green Field wind energy installation (6630-CE-294), its Glacier Hills wind energy installation (6630-CE-302), and its Rothschild Biomass generation

Q. What is the purpose of your testimony?

A. The purpose of our testimony is twofold: (1) to express our opposition to the rate design proposal proposed by Wisconsin Power and Light (WPL), which will, if approved, handicap customer initiatives to save on their electric bills; and (2), to discuss the alternative rate pilots that WPL would like to offer beginning in 2017. The foundation for RENEW’s position on WPL’s proposed rate redesign is laid out in a February 2016 report prepared by Synapse Energy Economics for Consumers Union. I am submitting Synapse’s report, titled “Caught in a Fix: The
Problem with Fixed Charges for Electricity,” into this proceeding as an exhibit (Ex.-RENEW-Vickerman-1).

Q. What is RENEW’s interest in this proceeding?
A. RENEW advocates for policies and initiatives that expand the availability of conservation and clean energy supply options for Wisconsin utility customers. For most customers, the only clean energy option on the supply side is solar, whether located on one’s premises or offsite via a solar garden. In recent years, Wisconsin’s investor-owned utilities have pursued an aggressive agenda for reducing the bill savings that customers reap from using less grid-supplied electricity. Rate designs that increase nonbypassable customer charges while lowering volumetric energy rates have become their favored response. Where customer investment decisions are made on a mid-to-long-term horizon, as they are with distributed generation and many efficiency projects, the policy ping-pong created by significant adjustments in rate design every two years adds a level of uncertainty over the payback period of the investment that a prudent person cannot ignore. Whether intended or not, this uncertainty gives customers more reasons to postpone up-front investments in equipment that reduce over time their energy overhead at their homes or businesses.

Q. What is RENEW’s position on the Company’s proposed changes to residential and small commercial rate design?
A. As a policy matter, higher fixed charges and lower volumetric rates undermine the ability of customers to undertake reasonable actions to lower their electricity usage through behavior changes, efficiency measures, and self-generation with solar energy. Rate redesign of this nature puts a larger portion of customer bills off-limits to potential savings from actions initiated by the customers. From the standpoint of the customer, shrinking the portion of the bill affected by one’s use becomes a powerful disincentive to invest in energy efficiency and renewable self-generation. In addition to eroding customers’ ability to control their bills, higher fixed charges disproportionately burden low-usage customers more than high-usage customers. Because it will lower the economic return on energy efficiency and distributed generation, WPL’s proposed rate design measures will encourage customers to consume more electricity, and the investments needed to increase the supply will drive system costs higher.

The centerpiece of WPL’s rate design proposal is a two-step increase in the mandatory monthly charge imposed on residential and small commercial customers, from $7.56 today to $12 in 2017 and $18 in 2018. If approved as proposed, this two-step jump would increase the nonbypassable portion of monthly bills by 138% from today’s level. Accompanying this increase is a 1.5% decrease in the volumetric energy rate from 2016 to 2018, which includes a nearly 6% decrease in residential energy rates from 2017 to 2018.

The rates proposed by WPL are designed to capture more revenue from residential customers, increasing from $408.5 million in 2016 to $430.4 million in 2018. Not only would the $10.44/month increase in the nonbypassable fixed
charge offset the reduction in residential revenue triggered by the lower volumetric rate, it would increase residential bills by an average of 5.3%. But how this reweighting of the fixed charge versus the volumetric rate will affect individual Rg-1 customers depends entirely on their usage. In looking at the transition from 2017 to 2018, those customers who use 1,000 kWh or more per month will see lower bills in 2018 while those customers who use less than 1,000 kWh per month will see higher bills in 2018. To illustrate: for customers consuming an average of 300 kWh/month, the proposed rate restructuring from 2017 to 2018 will result in bill increases of $4/month. But for customers consuming 1,200kWh/month, that rate restructuring will result in bill decreases of about $2/month.

Q. In his pre-filed direct testimony, WPL witness Brian Penington describes the proposed increases in WPL’s monthly customer charge as “a slower pace of change.” (PSC REF# 286369, page 15, line 2). Do you agree with that characterization?

A. No, I do not. Mr. Penington states that the PSCW has been limiting “single-year customer charge increases to 75%,” and that WPL’s proposed increases amount to only 50% in each year. This characterization overstates the impact of the staggered approach proposed by WPL for achieving a 138% increase in the customer charge. But when looking at this question from the standpoint of a two-year rate cycle, one should compare the 138% increase sought by WPL for the 2017-2018 biennium with the 125% increase sought by Northern States Power-
Wisconsin for the 2016-2017 biennium, the 75% increase sought by Wisconsin Electric Power for the 2015-2016 biennium, and the 87% post-settlement increase sought by Madison Gas & Electric for the 2015-2016 biennium. The only request in recent years that exceeded the 138% increase sought by WPL this year was the 140% increase proposed by Wisconsin Public Service in 2014 for the 2015-2016 biennium. Unlike WPL’s characterization, we believe our comparison above is more truly apples-to-apples.

Q. Witness Penington includes a chart (WPL-Penington-Direct, page 18) that compares WPL’s current customer charge with those of other electricity providers in Wisconsin. What are your thoughts on that comparison?

A. As with the “slower pace of change” characterization discussed above, there is an apples-to-oranges flavor to this comparison. We don’t believe that it is useful to compare the customer charges set by unregulated electric cooperative serving rural areas, such as Adams-Columbia Electric Cooperative, with those of regulated electric utilities serving a mix of urban and rural territories. The PSCW has no jurisdiction over the rates and tariffs set by rural electric cooperatives, which constitute the eight bars on the left side of the chart (WPL-Penington-Direct-18). This comparison also leaves out the customer charges of municipal electric utilities in or near WPL territory, such as Sun Prairie, Stoughton, Kaukauna and Waupun. Expanding the chart to include those four municipal utilities would clearly demonstrate that the residential customer charge sought by
WPL, if approved as is, would wind up significantly higher than the ones ultimately approved by the Commission for those four utilities.

Q. **How does WPL’s proposed $18/month fixed charge compare with other Alliant Energy electric utilities?**

A. WPL’s Iowa affiliate, Interstate Power & Light, has a residential customer charge of $10.50, 40% higher than WPL’s current customer charge. However, the increase sought by WPL would surpass Interstate’s level by 70%.

Q. **Beginning in 2014, electric utilities across the nation have sought similarly large increases in nonbypassable charges for their residential customers. How have the state utility commissions in other states responded to these proposals?**

A. Since this is clearly a national trend, I believe the Commission should be aware of the actions undertaken by other state utility commissions that have reviewed similar proposals for raising monthly customer charges. Table 1 on pages 10 and 11 is a compilation of rate case decisions rendered by other state commissions on utility proposals to hike fixed charges, with the rows in bold italics representing 2016 decisions or settlements. Earlier versions of this table appeared in RENEW’s testimony filed in Northern States Power – Wisconsin’s 2015 rate proceeding (PSC REF# 275829) and Wisconsin Public Service Corporation’s 2015 rate proceeding (PSC REF# 275323). In the vast majority of the 50 rate cases listed in Table 1, the commissions either rejected the requested increases outright or
sharply reduced them, or approved settlements that led to similar results. Many of
the utilities making these requests had customer charges under $10, and of that
group, most wound up with modest increases. Utilities with the highest customer
charges, such as those in New York and Pennsylvania, were denied increases.
Only a handful of utilities received increases of more than 30%, such as El Paso
Electric (TX), Indianapolis Power & Light, Kansas City Light & Power,
Kentucky Power, and Wisconsin Public Service (MI). But in all but one of those
cases, the approved increases resulted in customer charges at or under $12/month.
In reviewing these proposals, these utility commissions were clearly concerned
that the 60%-125% increases proposed by their utilities would have an adverse
impact on customer efforts to control their bills and reduce their expenses.
Table 1
RECENTLY APPROVED RESIDENTIAL CUSTOMER FIXED CHARGES IN GENERAL RATE CASES
2014-2016 Results – National (excluding Wisconsin)

<table>
<thead>
<tr>
<th>State</th>
<th>Utility</th>
<th>Monthly Fixed Residential Charges</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Existing</td>
<td>Proposed</td>
</tr>
<tr>
<td>AR</td>
<td>Entergy</td>
<td>$6.95</td>
<td>$9</td>
</tr>
<tr>
<td>AZ</td>
<td>UNSE</td>
<td>$10.00</td>
<td>$15.00</td>
</tr>
<tr>
<td>CA</td>
<td>PG&amp;E</td>
<td>$0.00</td>
<td>$10.00</td>
</tr>
<tr>
<td>CA</td>
<td>SDG&amp;E</td>
<td>$0.00</td>
<td>$10.00</td>
</tr>
<tr>
<td>CA</td>
<td>SoCalEd</td>
<td>$0.95</td>
<td>$10.00</td>
</tr>
<tr>
<td>CT</td>
<td>CL&amp;P</td>
<td>$16</td>
<td>$25.50</td>
</tr>
<tr>
<td>ID</td>
<td>Avista</td>
<td>$6.25</td>
<td>$8.50</td>
</tr>
<tr>
<td>IN</td>
<td>IPL</td>
<td>$8.70</td>
<td>$11.25</td>
</tr>
<tr>
<td>IN</td>
<td>NIPSCO</td>
<td>$11</td>
<td>$20</td>
</tr>
<tr>
<td>KS</td>
<td>Westar</td>
<td>$12</td>
<td>$27</td>
</tr>
<tr>
<td>KY</td>
<td>Louisville Gas-Electric</td>
<td>$10.75</td>
<td>$18</td>
</tr>
<tr>
<td>KY</td>
<td>Kentucky Power</td>
<td>$8</td>
<td>$16</td>
</tr>
<tr>
<td>KY</td>
<td>Kentucky Utilities</td>
<td>$10.75</td>
<td>$18</td>
</tr>
<tr>
<td>MD</td>
<td>Baltimore Gas + Electric</td>
<td>$7.50</td>
<td>$10.50</td>
</tr>
<tr>
<td>MD</td>
<td>Baltimore Gas + Electric</td>
<td>$7.50</td>
<td>$12</td>
</tr>
<tr>
<td>ME</td>
<td>Central Maine</td>
<td>$5.71</td>
<td>$10</td>
</tr>
<tr>
<td>MI</td>
<td>Consumers Energy</td>
<td>$7</td>
<td>$7.50</td>
</tr>
<tr>
<td>MI</td>
<td>DTE</td>
<td>$6</td>
<td>$10</td>
</tr>
<tr>
<td>MI</td>
<td>Indiana Michigan Power</td>
<td>$7.25</td>
<td>$9.10</td>
</tr>
<tr>
<td>MI</td>
<td>WI Public Service</td>
<td>$9</td>
<td>$12</td>
</tr>
<tr>
<td>MI</td>
<td>Utility</td>
<td>MI</td>
<td>Medium</td>
</tr>
<tr>
<td>-----</td>
<td>--------------------------</td>
<td>------</td>
<td>--------</td>
</tr>
<tr>
<td>MN</td>
<td>Xcel Energy</td>
<td>$8</td>
<td>$9.25</td>
</tr>
<tr>
<td>MO</td>
<td>Ameren</td>
<td>$8</td>
<td>$8.77</td>
</tr>
<tr>
<td>MO</td>
<td>KCP&amp;L</td>
<td>$9</td>
<td>$25</td>
</tr>
<tr>
<td>MO</td>
<td>Empire District Electric</td>
<td>$12.52</td>
<td>$18.75</td>
</tr>
<tr>
<td>MT</td>
<td>Montana-Dakota Utilities</td>
<td>$5.40</td>
<td>$7.50</td>
</tr>
<tr>
<td>MN</td>
<td>El Paso Electric</td>
<td>$7</td>
<td>$10</td>
</tr>
<tr>
<td>NV</td>
<td>Nevada Power</td>
<td>$10.00</td>
<td>$15.25</td>
</tr>
<tr>
<td>NY</td>
<td>Con Edison</td>
<td>$15.76</td>
<td>$18</td>
</tr>
<tr>
<td>NY</td>
<td>Central Hudson</td>
<td>$24</td>
<td>$30</td>
</tr>
<tr>
<td>NY</td>
<td>Orange + Rockland</td>
<td>$20</td>
<td>$25</td>
</tr>
<tr>
<td>NY</td>
<td>NYSEG</td>
<td>$15.11</td>
<td>$18.89</td>
</tr>
<tr>
<td>OK</td>
<td>OK Gas + Electric</td>
<td>$13</td>
<td>$26.54</td>
</tr>
<tr>
<td>OK</td>
<td>PSCo</td>
<td>$16.16</td>
<td>$20</td>
</tr>
<tr>
<td>OR</td>
<td>Portland General Electric</td>
<td>$10</td>
<td>$11</td>
</tr>
<tr>
<td>PA</td>
<td>Penelec</td>
<td>$7.98</td>
<td>$11.92</td>
</tr>
<tr>
<td>PA</td>
<td>Met-Ed</td>
<td>$8.11</td>
<td>$13.29</td>
</tr>
<tr>
<td>PA</td>
<td>Penn Power</td>
<td>$5</td>
<td>$7.35</td>
</tr>
<tr>
<td>PA</td>
<td>West Penn Power</td>
<td>$8.89</td>
<td>$12.71</td>
</tr>
<tr>
<td>PA</td>
<td>PECO</td>
<td>$7.09</td>
<td>$12</td>
</tr>
<tr>
<td>PA</td>
<td>PPL</td>
<td>$14.09</td>
<td>$20</td>
</tr>
<tr>
<td>SD</td>
<td>MidAm</td>
<td>$7</td>
<td>$8.50</td>
</tr>
<tr>
<td>TX</td>
<td>S’western PSCO</td>
<td>$7.50</td>
<td>$9.50</td>
</tr>
<tr>
<td>TX</td>
<td>El Paso Electric</td>
<td>$5</td>
<td>$10</td>
</tr>
<tr>
<td>UT</td>
<td>PacifiCorp</td>
<td>$5</td>
<td>$8</td>
</tr>
<tr>
<td>VA</td>
<td>Appal’ian Power</td>
<td>$8.35</td>
<td>$16</td>
</tr>
<tr>
<td>WA</td>
<td>Avista</td>
<td>$8.50</td>
<td>$14</td>
</tr>
<tr>
<td>WA</td>
<td>PacifiCorp</td>
<td>$7.75</td>
<td>$14</td>
</tr>
<tr>
<td>WV</td>
<td>Appal’ian Power</td>
<td>$5</td>
<td>$10</td>
</tr>
</tbody>
</table>
Q. What have other Commissions said about the necessity of raising monthly fixed charges on residential customers?

A. The passage below is taken from the Washington Utilities and Transportation Commission’s Order on Pacific Power and Light’s request to increase residential fixed monthly charges from $7.75 to $14.00.

“We reject the Company’s and Staff’s proposals to increase significantly the basic charge to residential customers. The Commission is not prepared to move away from the long-accepted principle that basic charges should reflect only “direct customer costs” such as meter reading and billing. Including distribution costs in the basic charge and increasing it 81 percent, as the Company proposes in this case, does not promote, and may be antithetical to, the realization of conservation goals.”

Washington Utilities and Transportation Commission, Docket UE-140762, Order 08, 3/25/15, p. 91

On April 29, 2015, the Missouri Public Utilities Commission rejected the request from Ameren for a modestly higher fixed customer charge for residential customers. In so doing, it stated the following:

“The Commission must also consider the public policy implications of changing the existing customer charges. There are strong public policy considerations in favor of not increasing the customer charges. Residential customers should have as much control over the amount of their bills as possible so that they can reduce their monthly expenses by using less power, either for economic reasons or because of a general desire to conserve energy. Leaving the monthly charge where it is gives the customer more control.”

Q. How does WPL’s request compare with recent PSCW decisions on utility requests to increase nonbypassable charges on residential customers?

A. Table 2 below is a compilation of recent PSCW decisions in 2015 and this year which involved proposals to sharply increase monthly fixed charges for smaller customers. In the proceedings listed below, the PSCW approved increases in the customer charges that were substantially less than what the utility sought. These recent decisions suggest a moderation in its position on rate design relative to the more substantial increases approved in 2014. For the municipal electric utilities, the PSCW decisions to limit the increases in fixed monthly charges resulted in virtually no change in the volumetric energy rates.

<table>
<thead>
<tr>
<th>Utility</th>
<th>Docket No.</th>
<th>Base monthly charge</th>
<th>Original requested amount</th>
<th>Approved amount</th>
<th>Date of order</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stoughton Utilities</td>
<td>5740-UR-108</td>
<td>$7.50</td>
<td>$10</td>
<td>$10</td>
<td>8/6/15</td>
</tr>
<tr>
<td>WPS</td>
<td>6690-UR-124</td>
<td>$19</td>
<td>$25</td>
<td>$21</td>
<td>12/17/15</td>
</tr>
<tr>
<td>Xcel-NSPW</td>
<td>4220-UR-114</td>
<td>$8</td>
<td>$18</td>
<td>$14</td>
<td>12/23/15</td>
</tr>
<tr>
<td>Kaukauna Utilities</td>
<td>2800-ER-107</td>
<td>$7</td>
<td>$16</td>
<td>$12.25</td>
<td>4/21/16</td>
</tr>
<tr>
<td>Sun Prairie Utilities</td>
<td>5810-ER-106</td>
<td>$7.50</td>
<td>$16</td>
<td>$11.75</td>
<td>6/16/16</td>
</tr>
<tr>
<td>Waupun Utilities</td>
<td>6290-ER-108</td>
<td>$7</td>
<td>$14</td>
<td>$12</td>
<td>8/11/16</td>
</tr>
</tbody>
</table>

Q. In light of the skepticism shown by other state utility commissions to full-bore rate restructuring proposals as well as the PSCW’s more moderate stance in recent rate decisions, what is RENEW’s recommendations on WPL’s request.
A. RENEW supports capping an increase in monthly fixed charges on WPL residential customers at $12. This amount would fall within the range of customer charges recently approved by the PSCW for municipal electric utilities. A $12 customer monthly charge would be $2.00 more than Stoughton’s fee, $0.25 more than Sun Prairie’s fee, the same as Waupun’s fee, and $0.25 less than Kaukauna’s charge. Three of the four municipal electric utilities in this group lie within WPL territory. RENEW is neutral on the question of phasing in a higher fixed charge versus raising it to the approved amount right away.

A customer charge of $12 would also fall within the range of customer charges approved for such other Midwest investor-owned utilities as Northern Indiana Public Service Company (NIPSCO) and Indianapolis Power and Light (IPL) in Indiana, Wisconsin Public Service in Michigan, and Kansas City Power & Light in Missouri.

Q. WPL has also proposed a time-of-use rate (Rg-5) and a demand rate (Rd-1) along with its flat rate schedule (Rg-1). What is RENEW’s position on these alternate rate schedules?

A. RENEW supports good-faith utility efforts to provide different rate and billing options to their residential customers, which ideally would include an education component to help customers learn how these rate structures work and how they can save them money. RENEW believes that time-of-use rates in particular can lead to both customer savings and overall system savings, incentivizing customers to shift their usage to off-peak hours, when energy prices are generally
lower. We note, however, that WPL proposes a $9/month fixed charge for its Rd-1 rate, which is substantially lower than the $12 fixed charge proposed for the other two services in 2017 and the $18 fixed charge proposed for them in 2018. WPL does not offer a rationale for lowering the fixed charge for Rd-1 customers but not Rg-5 customers. With that in mind, RENEW recommends the same fixed charge for all three residential services capped at $12/month.

Q. WPL’s filing also includes a reduction in the premium charged for the Second Nature program, from $0.02 to $0.014. What is RENEW’s position on that change?

A. RENEW supports WPL’s proposal to lower its Second Nature premium.

Q. Does this complete your direct testimony?

A. Yes, it does.