PSC REF#:415850

PUBLIC SERVICE COMMISSION OF WISCONSIN

Application of City Gas Company for Authority to Increase Natural Gas Rates 1140-GR-110

FINAL DECISION

This is the Final Decision in the Class 1 proceeding conducted by the Public Service Commission of Wisconsin (Commission) on the application of City Gas Company (applicant) for authority to increase its retail natural gas rates. The application is APPROVED, as conditioned by this Final Decision.

Introduction

The applicant applied to the Commission on August 4, 2020 for authority to increase retail natural gas rates by $261,328, or 4.21 percent. The applicant's last rate change was approved in docket 1140-GR-107 with rates effective on January 1, 2011. The applicant cited increased operation and maintenance expenses as the contributing factor(s) for the rate increase request. The final overall rate change authorized is $114,017, or 1.83 percent.

Pursuant to due notice, the Commission held a telephonic hearing at Madison and the applicant's offices in River Falls on June 16, 2021. The parties, for purposes of review under Wis. Stat. §§ 227.47 and 227.53, are listed in Appendix A. The applicant is the only party to the proceeding.

Findings of Fact

1. A reasonable estimate of average net investment rate base (NIRB) for the test year is $6,372,107.

2. The applicant's present authorized rates for natural gas utility service will produce total operating revenues of $6,251,719, which are less than the applicant's revenue requirement of $6,365,649 for the test year. The applicant's present rates are unreasonable and unjust as they are insufficient to cover the application's test-year operating expense and to provide an opportunity for a reasonable return on utility investments.

3. The rate of return on average NIRB at current rates of 7.29 percent is unreasonable and inadequate.

4. A reasonable utility ratemaking capital structure for the test year consists of 60.00 percent equity, and 40.00 percent long-term debt.

5. A reasonable return on equity (ROE) is 11.00 percent

6. The applicant's cost of long-term debt is 1.99 percent. A reasonable return on average NIRB that will provide adequate interest coverage is 8.59 percent.

7. It is reasonable for the applicant to amortize the investigative costs related to Manufactured Gas Plant (MGP) cleanup expenditures of $48,071 over a 5-year period, or $9,614 per year.

8. It is reasonable for the applicant to amortize the over-refunded 2018 and 2019 income tax savings of $16,832 over a 5-year period, or $3,366 per year, subject to true-up in the applicant's next rate proceeding.

9. It is reasonable for the applicant to amortize protected excess deferred income taxes (EDIT) that was accrued between 2018 through 2021 of $193,641 over a 5-year period, or $38,728 per year, subject to true up in the applicant's next rate proceeding.

10. It is reasonable for the applicant to amortize unprotected EDIT of $34,592 that was accrued from 2011 through 2021 over a 5-year period, or $6,918 per year, subject to true-up in the applicant's next rate proceeding.

11. It is reasonable for the applicant to record an annual conservation expense of $49,161, which consists of estimated conservation expenditures of $69,354 less the remaining 2005 Wisconsin Act 141 (Act 141) balance of $100,967 amortized over a 5-year period, or $20,193 per year. Further, it is reasonable to direct the applicant to record these expense amounts annually until they are superseded by a Commission order authorizing a new conservation escrow accrual.

12. An increase in the applicant's operating revenues for the test year of $114,017 is necessary to generate an 8.59 percent return on average NIRB and to cover the applicant's total cost of service.

13. It is reasonable for the applicant to include monthly forecasts for its working capital accounts in its next rate case for purpose of evaluation its ratio of average NIRB, plus construction work in progress (CWIP) to capital application primarily to utility operations plus deferred investment tax credits (Ratio).

14. The rates and rules in Appendix C are just and reasonable and will permit the applicant to earn the necessary revenue requirement for the test year.

15. Energy conservation, renewable resources, or energy priorities listed in Wis. Stat. §§ 1.12 or 196.025 and their combination would not be a cost-effective, technically feasible, or environmentally sound alternative to the rate increase authorized in this Final Decision.

Conclusions of Law

1. The applicant is a natural gas public utility as defined in Wis. Stat. § 196.01(5).

2. The Commission has authority under Wis. Stat. §§ 196.025, 196.03, 196.20, and 196.37 to authorize the applicant to establish natural gas rates and rules and in accordance with this Final Decision and to determine that the rates and rules in Appendix C are reasonable and just as a matter of law.

3. The Commission has authority under Wis. Stat. § 15.02(4) to delegate to the Administrator of the Division of Energy Regulation and Analysis those functions vested by law as enumerated above. It has delegated the authority to the Administrator of the Division of Energy Regulation and Analysis to issue a Final Decision in this matter.

Opinion

Applicant and its Business

The applicant is a public natural gas utility, as defined in Wis. Stat. § 196.01(5). The applicant provides service to approximately 5,559 customers in the City of Antigo, the Villages of Aniwa and Mattoon, and the Townships of Aniwa, Antigo, Ackley, Harrison, Hutchins, Neva, Norwood, Peck, Plover, Polar, Price, and Rolling in Langlade, Marathon, and Shawano Counties in northern Wisconsin.

Average Net Investment Rate Base

The average NIRB for the test year is as follows:

Natural Gas Utility Plant		$16,125,477
Less:	Accumulated Depreciation	8,289,465
Net Plant:		$7,836,012
Plus:	Gas in Storage	314,325
Plus:	Materials and Supplies	127,387
Less:	Customer Advances	2,240
Less:	Deferred Taxes	1,903,377
Net Investment Rate Base		$6,372,107

This rate base is reasonable and just.

Comparative Income Statement

Income statements showing revenues and expenditures estimated for the test year ending December 31, 2021, at present rates and at rates authorized in this Final Decision, are contained in Appendix B. Such income statements are reasonable and just for purposes of this proceeding. Appendix B also shows the percent change in revenues for the various rate classes at present and authorized rates. The applicant's present rates will generate gross operating revenues of $6,251,719, which results in an annual revenue deficiency of $113,930. The applicant's present rates are unreasonable and unjust because they produce inadequate revenues.

Manufactured Gas Plant Expenses

Manufactured gas generation is a technology that was first developed in the eighteenth century and provided fuel for lighting, cooking, and heating purposes. By the mid-twentieth century, thousands of MGPs existed around the country; however, emerging technology and interstate pipelines systems in the 1950s led to the obsolescence of MGPs. As MGPs became uneconomical they were often hastily closed, boarded up, and abandoned, which led to issues with soil and groundwater pollution as the byproducts of manufactured gas production. As utilities began various remediation processes to remove and treat the polluted soils, the Commission was asked to establish a policy regarding rate recovery for MGP expenses.

The Commission's current policy for rate recovery of MGP expenses was established in Wisconsin Power and Light Company's docketed case, docket 6680-UR-108. A summary of the Commission's ratemaking policies regarding MGP expenses were enunciated in the February 19, 2009 memorandum filed during docket 4220-UR-118. (PSC REF#: 175078.) In docket 6680-UR-108, there was discussion on whether prudently incurred MGP cleanup costs should be recovered by a utility, in full or in part, from its current ratepayers.[1] The Commission determined that neither a utility's ratepayers nor its shareholders should bear the entire burden of MGP cleanup costs. Sharing of prudently incurred MGP cleanup costs, net of insurance, and third-party recoveries was to be achieved by means of deferred accounting with recovery of the net costs over a 5-year period,[2] but with no recovery of the utility's carrying costs on the unamortized deferral balances. Deferred accounting for MGP site remediation costs without the provision of carrying costs is the mechanism the Commission used to allocate the cost responsibility between ratepayers and utility shareholders. The disallowance of carrying costs also acts as an incentive for the utilities to reasonably and vigorously pursue potentially responsible parties and insurances carriers. Further, deferred accounting allows the Commission

[1] Prior to the Final Decision in docket 6680-UR-108, most utilities immediately expensed MGP cleanup costs, while some utilities were allowed deferred accounting with recovery including carrying costs.
[2] While the 5-year amortization period was initially established in docket 6680-UR-108, the amortization period used in subsequent rate cases has generally been four to six years to coincide with biennial filings and materiality is also considered.

to review whether the deferred costs meet its guidelines before any amortization expense is recovered from ratepayers.

The applicant has requested that the Commission include costs related to the cleanup of a former MGP site in Antigo in the 2021 test year. The applicant proposed that 2021 rates include costs related to the investigative phase of cleanup operations, and has stated that while the applicant was able to obtain payment for a substantial amount of investigation costs from insurers, roughly $48,071 of costs net of insurance have been deferred for rate recovery. The Commission must balance many concerns when it addresses rate recovery of MGP cleanup costs. In this case, the magnitude of the cleanup cost relative to the size of the customer base is insignificant. Applying the current policy to this particular site would not cause financial harm to the applicant, nor would it cause significant rate increases to the applicant's customers. The Commission finds that its current policy on rate recovery of MGP cleanup costs is reasonable in this case. The Commission finds it reasonable for the applicant to amortize the investigative costs related to MGP clean up expenditures of $48,071 over a 5-year period, or $9,614 per year.

Tax Reform

Income Statement Component

On December 22, 2017, the Tax Cuts and Jobs Act (TCJA) was signed into law with an effective date of January 1, 2018. The TCJA made significant changes to the Federal Tax Code and included changes to individual, business, and international tax provisions, which impacted all Wisconsin investor-owned utilities (IOU). Notable for Wisconsin IOUs, the TCJA reduced the corporate tax rate from a maximum of 35.00 percent under the existing graduated rate structure to a flat 21.00 percent rate for tax years beginning after 2017. In its

May 24, 2018 Order in docket 5-AF-101 (PSC REF#: 343223), the Commission ordered the IOUs to implement a line item credit to reflect the difference in rates between the 21.00 percent income tax rate and the old income tax rate of 35.00 percent. In doing so, the Commission effectively restated each IOU's income statement at the lower tax rate and provided for credits in the amount needed to adjust the IOU's net income to its previously authorized amount. Each credit would then remain in place until the IOU's authorized revenue requirement incorporated the 21.00 percent income tax rate.

The Commission's Order in docket 5-AF-101 found "that the IOUs' current rates are unjust and unreasonable as a result of the TCJA" and stated the Commission's belief "that the tax savings should be returned to customers or otherwise used for the customers' benefit as soon as possible." (PSC REF#: 343223.) As an interim solution, the Commission's Order directed the applicant to issue bill credits for the income statement savings. The Order did not explicitly establish an end date for those credits, stating simply "[t]he monthly, volumetric bill credits shall continue until further Commission action in this docket or Commission action in a future rate case." (*Id*. at 29.)

Commission staff conducted a true-up of the income tax savings, including carrying costs at the short-term debt rate, with the bill credits issued during 2018 and 2019, and determined that the applicant has over-refunded its income tax savings to ratepayers by $16,832. The Commission finds it reasonable to allow the applicant recovery of the over-refund by increasing revenue requirements over a 5-year period, based on the average length of time between the applicant's rate cases, or $3,366 per year, subject to true-up in the next rate case proceeding.

Balance Sheet Component

The TCJA also required IOUs to revalue their accumulated deferred income taxes (ADIT) based on the reduced corporate tax rate. ADIT are the result of differences between tax laws and accounting methods, and a lower corporate tax rate generally creates EDIT.

EDIT are created due to the timing differences in computing income under tax laws and generally accepted accounting principle rules. Ordinarily, the tax expense incurred by utilities is comprised of current income tax and deferred income tax. Both taxes are recovered from the ratepayers via the revenue requirement. Current income tax is that which is paid to the tax agency in that year. Deferred tax is the tax that would be paid in a later year. When a change in tax rate occurs, the utility continues to collect tax at the old rates from ratepayers until the time the rates are corrected for the new tax rates. Simply put, EDIT are the excess deferred taxes collected from ratepayers.

The Internal Revenue Service (IRS) requires that the portion of EDIT that are related to the use of accelerated depreciation are amortized no faster than over the life of the underlying assets. If amortized faster, the IRS could consider it to be a normalization violation, and the applicant could lose the right to use accelerated depreciation on future income tax returns. The EDIT that are subject to the normalization rules are referred to as "protected" EDIT. The rest of the applicant's EDIT are considered to be "unprotected" and may be amortized over a shorter time period or recognized immediately.

The applicant reported protected EDIT balances of $883,210 amortized over a 34-year period, based on the estimated life of the underlying assets. Of that reported amount, the applicant noted that $193,641 of protected EDIT amortizations would be accrued between 2018 through

2021. The Commission finds it reasonable for the applicant to amortize protected EDIT of $193,641 that was accrued between 2018 through 2021 over a 5-year period, based on the average length of time between the applicant's rate cases, or $38,728 per year.

The applicant also reported unprotected EDIT balances of $34,592, but did not propose any specific method of returning the unprotected EDIT balance to ratepayers. In regards to unprotected EDIT, the Commission stated in its supplemental order to docket 5-AF-101 that "The Commission continues to find that all of the tax savings resulting from the TJCA should be returned to customers or otherwise used for the customers' benefit as soon as possible. As a result, the Commission will continue, until all of the savings have been addressed, to exercise its discretion in this docket and individual utility rate case proceedings to direct how these savings shall be returned or otherwise used for the benefit of customers" and stated the Commission's belief that "In the exercise of its discretion, the Commission is not bound to any single regulatory formula; it is permitted to make pragmatic adjustments, which may be called for by particular circumstance." (PSC REF#: 373697.)

As the Commission did not state any specific regulatory formula, utilities have proposed several methods of returning their unprotected EDIT balances. One such method would be to issue monthly bill credits to return the unprotected EDIT owed to ratepayers. However, when allocating such small balances across the individual rate classes, there is the potential that the dollar amount per class may be diluted to such an immaterial amount as to render bill credits either *de minimus* or impossible. To avoid this situation, Commission staff has proposed treatment of unprotected EDIT similar to staff's treatment of protected EDIT, as an amortization expense that will directly reduce the applicant's revenue requirement. As the use of tax benefits in this manner provides an immediate and tangible benefit to the applicant's customers, in this particular circumstance, the Commission finds it reasonable for the applicant to amortize unprotected EDIT over a 5-year period, based on the average length of time between the applicant's rate cases, or $6,918 per year, subject to true-up in the next rate case proceeding.

Conservation

The revenue requirement for the test year includes annual conservation expenses consisting of estimated Act 141 payments less an amortization expense for Act 141 balances owed to ratepayers since the applicant's previous rate case. Commission staff has conducted a true-up of Act 141 payments since the previous rate case and determined that the applicant's balance owed to ratepayers as of December 31, 2020 was $100,967. Commission staff proposed to amortize the Act 141 balance owed to ratepayers over a 5-year period, for an annual reduction of $20,193. The Commission finds it reasonable for the applicant to record an annual conservation expense of $49,161, which consists of estimated conservation expenditures of $69,354 less the annual amortization expense amount of $20,193. Further, the Commission finds it reasonable to direct the applicant to record these expense amounts annually until they are superseded by a Commission order authorizing a new conservation escrow accrual. The applicant should continue to account for its conservation expenditures on an escrow basis since the required Act 141 expenditure amount changes each year.

Capital Structure

Capital structure refers to the types and proportions of capital utilized in the organization, including common stockholders' equity, long-term debt, and short-term debt. The capital structure is a significant consideration with respect to the creditworthiness of the organization, and impacts its ability to access the capital markets when necessary at a reasonable cost. The capital costs and rate of return authorized as part of the revenue requirements must fairly compensate the applicant for its debt service obligations during the test year and provide the applicant's owners with a return on invested capital that fairly compensates for time preference and investment risk, and enable it to preserve and attract capital in its long-term operations.

The applicant filed a capital structure consisting of 75.00 percent equity, 15.00 percent long-term debt, and 10.00 percent short-term debt. In determining an appropriate capital structure for the applicant, the Commission considers the impact on customer rates and the applicant's financial flexibility and creditworthiness at various levels of equity embedded in the applicant's total capitalization. Commission staff conducted a financial analysis that included examination of the applicant's capital structure, financial integrity, and risk profile on a stand-alone basis as well as relative to peers regulated by this Commission. In connection with its analysis, Commission staff determined that an imputed capital structure consisting of 60.00 percent equity and 40.00 percent long-term debt would be more comparable to the applicant's regulated peer group.

In instances where a given utility has more risk exposure than its peers, a higher equity ratio in the capital structure and/or a higher ROE may be justified. No material risk factors unique to the applicant were identified which would support a higher equity ratio or ROE relative to its peers. Therefore, by applying a capital structure and rate of return comparable to the applicant's peers for the purposes of calculating its revenue requirement, its owners are adequately compensated from a risk/reward perspective. It also protects the applicant's customers from bearing the incremental cost of an excessive rate of return without receiving any incremental benefit, given the higher cost of equity capital relative to debt, as discussed below.

Based on the evidence in the record, the Commission finds that for the purpose of establishing just and reasonable rates, an appropriate imputed capital structure consists of 60.00 percent equity and 40.00 percent long-term debt.

Return on Equity and Cost of Capital

In reaching its determination as to the appropriate ROE, the Commission must balance the interests of equity owners and the applicant's lenders with those of consumers, with due consideration to economic and financial conditions along with public policy considerations. Commission staff performed an independent financial review, which included a sensitivity analysis to evaluate the applicant's credit metrics and other measures of financial strength at various rates of return, and recommended that an ROE of 11.00 percent be authorized as a reasonable level to balance the needs of customers and investors. Commission staff also confirmed this ROE remains reasonable in comparison to the returns authorized for the applicant's peers.

The applicant's weighted average cost of capital (WACC) includes the aforementioned imputed capital structure and an embedded cost of long-term debt of 4.98 percent. These capitalization ratios and cost rates result in a composite cost of capital considered just and reasonable for setting rates in this proceeding of 8.59 percent, derived as follows:

Capital Structure Component	Percent	Cost Rate	Weighted Cost
Utility Common Equity	60.00%	11.00%	6.60%
Long-Term Debt	40.00%	4.98%	1.99%
WACC = Required Return on NIRB			**8.59%**

The WACC of 8.59 percent for the applicant supports estimated pre-tax interest coverage of 1.24 times. This estimate reflects all appropriate Commission staff adjustments, and is a reasonable and just factor for use in translating the applicant's composite cost of capital into a return requirement.

Ratio and Rate of Return on Rate Base

In its application in this proceeding, the applicant filed a Ratio of NIRB plus CWIP divided by capital used primarily for utility operations plus ADIT credit (Ratio) of 79.07 percent. The Ratio is the mechanism in Wisconsin ratemaking to provide the applicant sufficient return to finance its net working capital position and its CWIP balances. These items are not included in rate base but are necessary for providing utility service to customers. The WACC is divided by the Ratio to obtain the required return on NIRB.

To properly calculate the Ratio, utilities need to forecast their entire balance sheet for the bridge year and test year(s), including working capital accounts. However, smaller IOUs usually do not have the resources to provide this analysis. The applicant filed a Ratio of 79.07 percent, but it did not provide adequate support for its estimate. Without the necessary information for the Ratio, Commission staff proposed using a Ratio of 100.00 percent, meaning that due to the information received being insufficient for proper analysis, Commission staff assumes that current assets are equal to current liabilities on average for the test year. Based on the aforementioned reasoning, the Commission finds that adjusting the Ratio to 100.00 percent and incorporating other cost of capital changes results in a reasonable return on NIRB of 8.59 percent.

In future rate cases, the applicant shall provide monthly forecasts for each working capital account for the test year and a 13-month average for each account. Without the necessary information for the Ratio, Commission staff may consider continuing to use a Ratio of 100 percent, meaning that due to the information received being insufficient for proper analysis, Commission staff may continue to assume that current assets are equal to current liabilities on average for the test year.

Uncontested Adjustments to Revenue Requirement

Commission staff proposed various adjustments to the applicant's estimated test-year revenue requirement that were not contested by the applicant. As such, the Commission finds it reasonable to accept and incorporate all uncontested audit adjustments in the final authorized revenue requirement.

Revenue Requirement

Based on the Commission's determinations above, the Commission finds that an increase in gas sales revenue of $114,017 is reasonable for the purpose of determining reasonable and just rates in this proceeding, and is calculated as follows:

Required Return on Net Investment Rate Base	8.59%
Net Investment Rate Base	$6,372,107
Required Earnings	$547,364
Earnings at Present Rates	464,470
Earnings Deficiency (Excess)	$82,895
Revenue Deficiency to Provide for Earnings Adjusted for State and Federal Income Taxes	$113,930
Sales Revenues at Present Rates	6,215,160
Total Sales Revenue at Proposed Rates	6,329,177
Other Operating Revenues	36,559
Total Revenue Requirement	$6,365,649

Natural Gas Cost of Service

Commission staff prepared two cost-of-service studies (COSS), COSS A and COSS B, in order to inform the rate design and overall rate increase allocation decisions. COSS A can be considered a more "customer-oriented" study, whereas COSS B can be considered a more "commodity-oriented" study, and together, COSS A and COSS B help to establish a range of reasonableness for rate design. As reflected in Ex.-PSC-Brown Huss-1, (PSC REF#: 413154) Commission staff designed the two COSS models based on Commission staff's audited revenue requirement. These studies are consistent with the Commission's policy, and represent a guide to setting rates. The Commission finds that it is reasonable to continue its long-standing practice of relying on multiple COSS models, as well as other factors, such as customer bill impacts, when determining the final allocation of the natural gas revenue requirement.

Natural Gas Revenue Allocation, Rate Design, and Rates

Commission staff prepared a comprehensive revenue allocation and rate design proposal based on Commission staff's audited revenue requirement. Commission staff's offered revenue allocation and rate design was intended to reflect the full range of COSS results and cost allocation presented in the record of this proceeding. (PSC REF#: 413153.)

As noted above, the Commission finds it is reasonable to continue its long-standing practice of relying on multiple COSS models, as well as other factors, such as customer bill impacts, when determining the final allocation of the revenue requirement. Based on the COSS evidence presented in the record, the Commission finds it reasonable to authorize the natural gas revenue allocation and natural gas rate design proposed by Commission staff. The authorized rates and gas revenues appear in Appendix C. The Commission finds it reasonable to direct the applicant to file final form tariff sheets consistent with those rates.

Reasonableness of Rates and Rules

The rates and rules authorized by this Final Decision will require each class of customers to bear a fair and equitable portion of the applicant's total revenue requirement for the test year ending December 31, 2021. The rate and rule changes authorized by this Final Decision are reasonable and just.

Effective Date

The Commission finds it reasonable for the authorized rate and tariff changes to take effect one day after the date of service, provided that these rates and tariff provisions are made available by that date to the public at locations where customer payments are accepted, on the applicant's Internet site, or in a form and place that is otherwise readily accessible to the public. If these rate increases and tariff provisions are not made available to the public by that date, it is reasonable to require that they take effect on the date the applicant makes them available at locations where customer payments are accepted, on the applicant's Internet site, or in a form and place that is otherwise readily accessible to the public.

Order

1. The authorized rate and tariff changes shall take effect one day after the date of service, provided that these rate and tariff provisions are made available by that date to the public at locations where customer payments are accepted, on the applicant's Internet site, or in a form and place that is otherwise readily accessible to the public. If these rate increases and tariff provisions are not made available to the public by that day, they shall take effect on the date the

applicant makes them available at locations where customer payments are accepted, on the applicant's Internet site, or in a form and place that is otherwise readily accessible to the public.

2. The applicant shall revise its existing rates and tariff provisions for natural gas service, substituting the authorized rate and tariff changes shown in Appendix C. These changes shall be in effect until the Commission issues an order establishing new rates and tariff provisions.

3. The applicant shall inform the Commission, in writing within 20 days of the effective date of this Final Decision, of the date that the applicant makes the authorized rates and rules effective.

4. Pursuant to Wis. Stat. § 196.19, the applicant shall be deemed to have filed with the Commission the rates authorized in this Final Decision when the applicant receives completed tariff sheets reflecting this Final Decision from the Commission.

5. The applicant shall file tariffs consistent with this Final Decision.

6. The applicant shall inform each customer of the new rates as required by Wis. Admin. Code § PSC 113.0406(1)(d).

7. The applicant shall amortize the investigative costs related to MGP clean up expenditures of $48,071 over a 5-year period, or $9,614 per year.

8. The applicant shall amortize the over-refunded 2018 and 2019 income tax savings of $16,832 over a 5-year period, or $3,366 per year, subject to true-up in the applicant's next rate proceeding.

9. The applicant shall amortize protected EDIT that was accrued between 2018 through 2021 of $193,641 over a 5-year period, or $38,728 per year, subject to true-up in the applicant's next rate proceeding.

10. The applicant shall amortize unprotected EDIT of $34,592 that was accrued from 2011 through 2021 over a 5-year period, or $6,918 per year, subject to true-up in the applicant's next rate proceeding.

11. The applicant shall record an annual conservation expense of $49,161, which consists of estimated conservation expenditures of $69,354 less the remaining Act 141 balance of $100,967 amortized over a 5-year period, or $20,193 per year. Further, it is reasonable to direct the applicant to record these expense amounts annually until they are superseded by a Commission order authorizing a new conservation escrow accrual.

12. To be considered for a ratio other than one the applicant shall provide monthly forecasts for each working capital account in its next rate case application.

13. This Final Decision takes effect one day after the date of service.

14. Jurisdiction is retained.

Dated at Madison, Wisconsin, July 13, 2021

For the Commission:

Martin R. Day

Martin R. Day
Administrator
Division of Energy Regulation and Analysis

MRD:NBH:cmb:jlt:DL: 01788227

Attachments

See attached Notice of Rights

PUBLIC SERVICE COMMISSION OF WISCONSIN
4822 Madison Yards Way
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NOTICE OF RIGHTS FOR REHEARING OR JUDICIAL REVIEW, THE TIMES ALLOWED FOR EACH, AND THE IDENTIFICATION OF THE PARTY TO BE NAMED AS RESPONDENT

The following notice is served on you as part of the Commission's written decision. This general notice is for the purpose of ensuring compliance with Wis. Stat. § 227.48(2), and does not constitute a conclusion or admission that any particular party or person is necessarily aggrieved or that any particular decision or order is final or judicially reviewable.

PETITION FOR REHEARING

If this decision is an order following a contested case proceeding as defined in Wis. Stat. § 227.01(3), a person aggrieved by the decision has a right to petition the Commission for rehearing within 20 days of the date of service of this decision, as provided in Wis. Stat. § 227.49. The date of service is shown on the first page. If there is no date on the first page, the date of service is shown immediately above the signature line. The petition for rehearing must be filed with the Public Service Commission of Wisconsin and served on the parties. An appeal of this decision may also be taken directly to circuit court through the filing of a petition for judicial review. It is not necessary to first petition for rehearing.

PETITION FOR JUDICIAL REVIEW

A person aggrieved by this decision has a right to petition for judicial review as provided in Wis. Stat. § 227.53. In a contested case, the petition must be filed in circuit court and served upon the Public Service Commission of Wisconsin within 30 days of the date of service of this decision if there has been no petition for rehearing. If a timely petition for rehearing has been filed, the petition for judicial review must be filed within 30 days of the date of service of the order finally disposing of the petition for rehearing, or within 30 days after the final disposition of the petition for rehearing by operation of law pursuant to Wis. Stat. § 227.49(5), whichever is sooner. If an *untimely* petition for rehearing is filed, the 30-day period to petition for judicial review commences the date the Commission serves its original decision.[3] The Public Service Commission of Wisconsin must be named as respondent in the petition for judicial review.

If this decision is an order denying rehearing, a person aggrieved who wishes to appeal must seek judicial review rather than rehearing. A second petition for rehearing is not permitted.

Revised: March 27, 2013

[3] *See Currier v. Wisconsin Dep't of Revenue*, 2006 WI App 12, 288 Wis. 2d 693, 709 N.W.2d 520.

APPENDIX A

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Docket 1140-GR-110

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City Gas Company
COMPARATIVE INCOME STATEMENT
TEST YEAR ENDED DECEMBER 31, 2021

	Present Rates	Proposed Rates	Dollar Change	Percent Change
OPERATING REVENUES				
RETAIL SALES OF GAS				
Rg-1 Residential Gas Service - Firm	3,690,625	3,761,828	71,203	1.93%
RM-1 Residential - Multi Unit	-	-	-	0.00%
Cg-1 Small Volume Commercial Gas Service - Firm	1,219,259	1,238,598	19,339	1.59%
In-1 Small Volume Commercial Gas Service - Interruptible	247,088	250,113	3,025	1.22%
Tg-1 Firm Transportation Servcie	415,157	427,754	12,597	3.03%
Tg-2 Interruptible Transporation Service	26,732	27,459	727	2.72%
Cg-2 Large Volume Commercial Gas Service - Firm	352,240	354,949	2,709	0.77%
In-2 Large Volume Commercial Gas Service - Interruptible	136,705	137,686	981	0.72%
Tg-3 Interuptible Transportation Service	127,354	130,790	3,436	2.70%
	-	-	-	0.00%
	-	-	-	0.00%
TOTAL RETAIL SALES OF GAS	6,215,160	6,329,177	114,017	1.83%
OTHER SALES OF GAS	-	-	-	0.00%
TOTAL ALL SALES OF GAS	6,215,160	6,329,177	114,017	1.83%
OTHER OPERATING REVENUE	36,559	36,559		
TOTAL ALL OPERATING REVENUES (A)	6,251,719	6,365,736		
OPERATING EXPENSE				
O. & M. EXPENSE				
Gas Supply Expenses				
City Gate Gas Purchases	2,606,955	2,606,955		
Other Gas Supply Expenses	(2,046)	(2,046)		
Total Gas Supply Expenses	2,604,909	2,604,909		
Distribution Expenses	591,028	591,028		
Customer Account Expenses	418,950	418,950		
Customer Service & Information Expenses	128,208	128,208		
Sales Expenses	-	-		
Admin. & General Expenses	1,123,064	1,123,064		
TOTAL O. & M. EXPENSE	4,866,159	4,866,159		
DEPRECIATION EXPENSE	658,226	658,226		
AMORTIZATION EXPENSE	-	-		
TAXES OTHER THAN INCOME	148,369	148,369		
INCOME TAXES	168,261	199320.371		
DEFERRED INCOME TAXES	(11,485)	(11,485)		
TCJA - 2018 THROUGH 2021 EDIT AMORTIZATION	(45,647)	(45,647)		
TCJA - NET 2018 & 2019 TRUE-UPS	3,366	3,366		
TOTAL OPERATING EXPENSES (B)	5,787,249	5,818,308		
NET OPERATING INCOME (A-B = C)	464,470	547,428		
AVG. NET INVEST. RATE BASE (D)	6,372,107	6,372,107		
RATE OF RETURN ON RATE BASE(C/ D)	7.29%	8.59%		
Requested Rate of Return	8.59%	8.59%		
Revenue Deficiency	113,930	(87)		
Retail Revenue Increase/(Decrease)		**$114,017**		
% Retail Revenue Increase/(Decrease)		**1.83%**		

City Gas Company
Gas Revenue Summary for Test Year 2021

Rate Schedule		Present Revenue without Cost of Gas	Cost of Gas Revenue	Total Present Revenue	Authorized Revenue without Cost of Gas	Cost of Gas Revenue	Total Authorized Revenue	Revenue Change	Percent Change with Cost of Gas	Percent Change without Cost of Gas
Rg-1	Residential Gas Service - Firm	$ 2,158,531	$ 1,532,094	$ 3,690,625	$ 2,225,224	$ 1,536,604	$ 3,761,828	$ 71,203	1.9%	3.3%
	Total Residential Service	**$ 2,158,531**	**$ 1,532,094**	**$ 3,690,625**	**$ 2,225,224**	**$ 1,536,604**	**$ 3,761,828**	**$ 71,203**	**1.9%**	**3.3%**
Cg-1	Small Volume Commercial Gas Service - Firm	$ 632,383	$ 586,876	$ 1,219,259	$ 612,852	$ 625,746	$ 1,238,598	$ 19,339	1.6%	3.1%
In-1	Small Volume Commercial Gas Service - Interruptible	$ 94,723	$ 152,365	$ 247,088	$ 100,843	$ 149,270	$ 250,113	$ 3,025	1.2%	3.2%
Tg-1	Firm Transportation Servcie	$ 415,157	$ -	$ 415,157	$ 427,754	$ -	$ 427,754	$ 12,597	3.0%	3.0%
Tg-2	Interruptible Transporation Service	$ 26,732	$ -	$ 26,732	$ 27,459	$ -	$ 27,459	$ 727	2.7%	2.7%
	Total Small Commerical Service	**$ 1,168,995**	**$ 739,241**	**$ 1,908,236**	**$ 1,168,908**	**$ 775,016**	**$ 1,943,924**	**$ 35,688**	**1.9%**	**3.1%**
Cg-2	Large Volume Commercial Gas Service - Firm	$ 151,726	$ 200,514	$ 352,240	$ 153,258	$ 201,691	$ 354,949	$ 2,709	0.8%	1.8%
In-2	Large Volume Commercial Gas Service - Interruptible	$ 46,212	$ 90,493	$ 136,705	$ 50,033	$ 87,653	$ 137,686	$ 981	0.7%	2.1%
Tg-3	Interuptible Transportation Service	$ 127,354	$ -	$ 127,354	$ 130,790	$ -	$ 130,790	$ 3,436	2.7%	2.7%
	Total Large Commercial Service	**$ 325,292**	**$ 291,007**	**$ 616,299**	**$ 334,081**	**$ 289,344**	**$ 623,425**	**$ 7,126**	**1.2%**	**2.2%**
	Total Revenue	**$ 3,652,818**	**$ 2,562,342**	**$ 6,215,160**	**$ 3,728,213**	**$ 2,600,964**	**$ 6,329,177**	**$ 114,017**	**1.8%**	**3.1%**

City Gas Company
Gas Rates

Rate Schedule	Present Rates	Authorized Rates	Units
Residential Gas Service - Firm - Rg-1			
Customer Charge	$8.50	$11.50	per month
Distribution Charge	$ 0.3325	$ 0.3091	per therm
Gas Supply Acquisition Charge - System Supply Service	$ 0.0197	$ 0.0197	per therm
Small Volume Commercial Gas Service - Firm - Cg-1			
Customer Charge	$12.75	$15.50	per month
Distribution Charge	$ 0.2583	$ 0.2369	per therm
Gas Supply Acquisition Charge - System Supply Service	$ 0.0197	$ 0.0197	per therm
Small Volume Commercial Gas Service - Interruptible - In-1			
Customer Charge	$60.00	$75.00	per month
Distribution Charge	$ 0.1629	$ 0.1718	per therm
Gas Supply Acquisition Charge - System Supply Service	$ 0.0174	$ 0.0174	per therm
Large Volume Commercial Gas Service - Firm - Cg-2			
Customer Charge	$40.00	$50.00	per month
Distribution Charge	$ 0.2096	$ 0.2080	per therm
Gas Supply Acquisition Charge - System Supply Service	$ 0.0197	$ 0.0197	per therm
Large Volume Commercial Gas Service - Interruptible - In-2			
Customer Charge	$200.00	$250.00	per month
Distribution Charge	$ 0.1436	$ 0.1549	per therm
Gas Supply Acquisition Charge - System Supply Service	$ 0.0101	$ 0.0101	per therm
Firm Transportation Servcie - Tg-1			
Customer Charge	$40.00	$50.00	per month
Distribution Charge	$ 0.1721	$ 0.1750	per therm
Monthly Administrative Charge	$ 50.00	$ 75.00	per month
Interruptible Transporation Service - Tg-2			
Customer Charge	$60.00	$75.00	per month
Distribution Charge	$ 0.1629	$ 0.1578	per therm
Monthly Administrative Charge	$ 50.00	$ 75.00	per month
Interruptible Transporation Service - Tg-3			
Customer Charge	$200.00	$250.00	per month
Distribution Charge	$ 0.1400	$ 0.1398	per therm
Monthly Administrative Charge	$ 50.00	$ 75.00	per month
Base Average Cost of Gas			
Total Base Rate	$ 0.5361	$ 0.3075	per therm
Commodity Cost Charge	$ 0.5259	$ 0.2885	per therm
Annual Demand Charge	$ 0.0102	$ 0.0190	per therm
Act 141 Distribution Rate*			
Residential	$ 0.00870	$ 0.00630	per therm
Commercial	$ 0.01290	$ 0.00890	per therm

*Act 141 distribution rates are included in the above distribution service charges.

City Gas Company
RESIDENTIAL BILL COMPARISON
TEST YEAR ENDED DECEMBER 31, 2021

Residential Service (GR-1) - System Supply - Summer

Monthly Therm Use	Monthly Bill Present Rates	Monthly Bill Proposed Rates	Amount Change	Percent Change
0	$ 8.50	$ 11.50	$ 3.00	35.3%
10	$ 15.29	$ 18.05	$ 2.77	18.1%
20	$ 22.07	$ 24.61	$ 2.53	11.5%
18	$ 20.72	$ 23.30	$ 2.58	12.4%
40	$ 35.65	$ 37.71	$ 2.06	5.8%
50	$ 42.44	$ 44.27	$ 1.83	4.3%
75	$ 59.40	$ 60.65	$ 1.25	2.1%
100	$ 76.37	$ 77.03	$ 0.66	0.9%
200	$ 144.24	$ 142.56	$ (1.68)	-1.2%
300	$ 212.11	$ 208.09	$ (4.02)	-1.9%
500	$ 347.85	$ 339.15	$ (8.70)	-2.5%

Residential Service (GR-1) - System Supply - Non-Summer

Monthly Therm Use	Monthly Bill Present Rates	Monthly Bill Proposed Rates	Amount Change	Percent Change
0	$ 8.50	$ 11.50	$ 3.00	35.3%
10	$ 15.29	$ 18.05	$ 2.77	18.1%
20	$ 22.07	$ 24.61	$ 2.53	11.5%
30	$ 28.86	$ 31.16	$ 2.30	8.0%
40	$ 35.65	$ 37.71	$ 2.06	5.8%
50	$ 42.44	$ 44.27	$ 1.83	4.3%
75	$ 59.40	$ 60.65	$ 1.25	2.1%
100	$ 76.37	$ 77.03	$ 0.66	0.9%
142	$ 104.88	$ 104.55	$ (0.32)	-0.3%
200	$ 144.24	$ 142.56	$ (1.68)	-1.2%
300	$ 212.11	$ 208.09	$ (4.02)	-1.9%
500	$ 347.85	$ 339.15	$ (8.70)	-2.5%

Residential Service (GR-1) - System Supply - Annual Total

Annual Therm Use	AnnualBill Present Rates	Monthly Bill Proposed Rates	Amount Change	Percent Change
0	$ 102.00	$ 138.00	$ 36.00	35.3%
50	$ 135.94	$ 170.77	$ 34.83	25.6%
100	$ 169.87	$ 203.53	$ 33.66	19.8%
200	$ 237.74	$ 269.06	$ 31.32	13.2%
300	$ 305.61	$ 334.59	$ 28.98	9.5%
400	$ 373.48	$ 400.12	$ 26.64	7.1%
500	$ 441.35	$ 465.65	$ 24.30	5.5%
750	$ 611.03	$ 629.48	$ 18.45	3.0%
958	$ 752.19	$ 765.78	$ 13.58	1.8%
1000	$ 780.70	$ 793.30	$ 12.60	1.6%
1250	$ 950.38	$ 957.13	$ 6.75	0.7%
1500	$ 1,120.05	$ 1,120.95	$ 0.90	0.1%