

BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Joint Application of Wisconsin Electric Power
Company and Wisconsin Gas LLC for Authority to
Adjust Electric, Natural Gas and Steam Rates

5-UR-110

**COMMENTS OF THE CITY OF MILWAUKEE IN OPPOSITION TO WE
ENERGIES' RATE INCREASE REQUEST**

The City of Milwaukee opposes the double-digit rate increases sought by Wisconsin Electric Power Company (“WEPCO”) and Wisconsin Gas Company (“WG”) (together d/b/a “We Energies”). The City urges the Commission to reject We Energies’ proposed rate increases, which come at a time when Wisconsin municipalities are struggling to provide basic services and our residents are facing spiraling costs to feed and clothe their families. The Commission should reduce We Energies’ revenue requirement, particularly its “extraordinarily high” return on equity (“ROE”).

It’s a good time to be the monopoly utility. We Energies’ parent company, WEC Energy Group, Inc. (“WEC”), reported net income of \$1.3 billion for 2021, an 8.4% increase over its profit of \$1.2 billion for 2020. The pandemic did not stand in the way as WEC’s net income in 2020 and 2021 exceeded its reported profit of \$1.13 billion in 2019. WEC’s investors have done well as a result. WEC’s website claims that WEC “consistently deliver[s] among the best total returns in the industry....” As reported in Urban Milwaukee, WEC claimed an average annual shareholder return of 15.1% from 2002 to 2017. (<https://urbanmilwaukee.com/2022/06/22/murphys-law-how-we-energies-spends-your-money/>).

WEC has also generously compensated its top executives. According to the Milwaukee Business Journal's November 26, 2021 list of "Highest-Paid Executives of Public Companies," WEC's President/CEO and Executive Chairman received total compensation packages of over \$18.1 million and \$8.8 million, respectively, in the latest fiscal year. Of the 100 individuals listed, seven were identified as current or retired WEC executives, with total compensation packages ranging from \$2,033,835 to \$18,136,171.

Rates paid by We Energies' customers enable WEC to reward its investors and top executives in this manner. Yet, in an environment where its customers are facing higher costs for food, housing, and transportation, We Energies asks for more.

We Energies' rates are already very high. According to CUB's testimony, WEPCO's average electricity costs are the second highest in Wisconsin; a state that is the second highest in the region. So the question must be asked: The executives and the shareholders seem to be protected but who is protecting the ratepayers?

The City of Milwaukee is one of We Energies' largest customers. If this rate increase is approved, the City will incur higher costs to power and heat its facilities, deliver clean water, and keep the streets safely lit. Due to state-imposed limits on its ability to raise needed revenue, the City cannot simply pass on all of these increased costs to others. Those increased costs that can be passed on through taxes and fees only enable We Energies to mask the full effect of its costs on local residents and businesses, who already pay We Energies directly.

The money must come from somewhere. Accordingly, We Energies' ever-increasing rates directly impact the City's ability to provide critical services and ensure public safety in the City of Milwaukee. Last Friday, the City of Milwaukee Common

Council voted to approve an amended 2023 City budget with a levy increase of 2%. During the budget process, the City had to make difficult decisions about cutting police staffing, closing fire stations, and reducing library services. What is the purpose of restricting the City's ability to raise tax revenue to pay for necessary services only to see the monopoly power company siphon those dollars from Milwaukee's residents and businesses?

The City faces a looming fiscal cliff due to state-imposed restrictions on its ability to raise necessary revenues along with shrinking shared revenue payments and will face even more difficult decisions next year. Limited dollars that go to fund We Energies' excessive profits take away money to pay cops and firefighters, make our roads safer, and keep our libraries open. It is not hyperbole. It is simply math.

The City is also home to thousands of moderate and low-income residents, many of whom can least afford to pay another We Energies rate increase. We Energies initially professed a desire to temper the impact on these customers. Yet, We Energies now proposes to saddle these individuals and families with even more costs through a last-minute shift in revenue allocation from industrial customers to residential customers.

In its application, sworn testimony, and notice to customers, We Energies proposed to increase electric residential rates by 5.44% or \$6 per month. But, We Energies is now requesting an electric rate increase of 13.09%, or \$14.61 per month. Similarly, We Energies first proposed a natural gas rate increase of 9.42% for the average residential customer and now requests a 13.8% increase in residential gas rates for WEPCO Gas customers and a 10.66% increase for WG customers. This sure feels like a bait and switch, as Clean Wisconsin asserted in its reply brief. The Commission should

reject this increase on residential customers. However, there is no need to pit industrial customers against residential customers.

The Commission can provide necessary relief to both classes of ratepayers by reducing WEPCO's requested ROE of 10.0% and WG's requested ROE of 10.2%. As CUB and Clean Wisconsin's experts testified, We Energies will continue to attract investors with reduced ROEs. We were in fact surprised to learn from CUB's expert testimony that similar utilities like Duke Energy and Commonwealth Edison had no trouble attracting investment while earning substantially lower ROEs; a median ROE of 7% in Duke's case and an ROE ranging from 7% to 8% in ComEd's case. Reducing We Energies' requested ROEs is just, reasonable, and overdue.

For all of the reasons set forth above, the City of Milwaukee respectfully requests that the Commission reject the rate increases sought by We Energies. Pursuant to Common Council Resolution No. 220612, the Common Council of the City of Milwaukee has authorized the City Attorney to file these comments on its behalf.

Dated this 7th day of November, 2022.

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