PSC REF#:463324

Public Service Commission of Wisconsin
RECEIVED: 3/31/2023 12:23:15 PM

Ex.-WPL-Application

Docket No. 6680-FR-2022

BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Application of Wisconsin Power and Light Company for Reconciliation of Actual Fuel Costs to the Authorized 2022 Fuel Cost Plan	Docket No. 6680-FR-2022

APPLICATION

Wisconsin Power and Light Company ("WPL") respectfully requests that the Public Service Commission of Wisconsin ("Commission") approve this application, pursuant to Wis. Admin. Code § PSC 116.07, for the reconciliation of actual 2022 fuel costs with the projections contained in WPL's 2022 fuel cost plan (the "2022 Fuel Cost Plan" or "2022 FCP"), as approved by the Commission in its Final Decision of December 22, 2021, in Docket No. 6680-UR-123.

In Docket No. 6680-UR-123, the Commission approved a fuel cost plan for 2022 of $309,427,580, or $262,580,245 on a Wisconsin retail basis. WPL's actual fuel cost for 2022 was $459,603,049, or $389,125,207 on a Wisconsin retail basis. As a result of increased cost of fuel on a dollar per megawatt-hour ("MWh") basis, WPL charged its retail customers approximately $122.1 million less than the fuel cost it incurred to serve them. Although these costs were prudently incurred to serve WPL's customers, WPL will absorb approximately $5.3 million of this difference, consistent with the 2.0 percent fuel cost tolerance contemplated in Wis. Stat. § 116.06 and ordered by the Commission.

WPL proposes to collect the resulting deferred account balance debit ("DABD") of $116.8 million, plus interest, through an incremental surcharge on retail electric rates. To manage the customer impact, WPL proposes to make the incremental surcharge effective from October 1, 2023, through December 31, 2025. To enable this 27-month collection period, WPL respectfully requests that the Commission order a short-term interest rate that will apply to the collection months occurring in 2024 and 2025.

2022 Under-Collection and
Requirements of Wis. Admin. Code § PSC 116.07

WPL works diligently to manage fuel costs on behalf of its customers through balanced and efficient operation of generation resources, fuel procurement strategies, commodity hedges, and other strategies. During 2022, increased electricity commodity market prices in the Midcontinent Independent System Operator, Inc. ("MISO") region significantly increased WPL's load costs. Despite commodity hedge benefits that WPL secured, coal conservation due to nation-wide disruptions in the rail transportation sector, and higher natural gas costs and unanticipated outages at WPL's combined cycle units including outages at the West Riverside Energy Center stemming from systems not performing to their warrantied standard, led to lower resource margins, which were insufficient to fully offset the increased load costs. WPL proactively addressed these circumstances by managing its response to these challenges with an eye toward reducing the fuel cost impact as much as reasonably possible.

As covered extensively in the national media during 2022, and as detailed in Ex.-WPL-Guelker-1, disruptions in the rail transportation sector led to delays or reductions in commodity deliveries, including the deliveries WPL relies on at its coal-fired generating units. As electric and natural gas prices increased, coal-fired generation also increased across the MISO region and the United States. This resulted in further supply and transportation constraints, which limited coal deliveries. This necessitated WPL balancing the ability to receive coal deliveries and the need to manage coal inventory at the plant to ensure reliability. To accomplish this, WPL undertook coal-conservation strategies to ensure that inventory was sufficient to reliably operate its coal-fired generating facilities and maintain grid reliability in the MISO region. These strategies led to lower generation volumes from coal-fired generating units and lower resource margins. As described by WPL witness Eric Guelker, WPL took several key actions to reduce the impact of coal delivery limitations on WPL fuel costs, and WPL acted to ensure that coal would be available during peak demand periods and that a lack of coal would not jeopardize reliability of service.

Similarly, WPL's actions in response to unanticipated outages at the West Riverside Energy Center have prudently sought to address needed repairs in a way that reasonably manages and reduces the associated impacts on fuel costs, as discussed by WPL witness Amanda Blank. West Riverside is a two-on-one ("2:1") combined cycle natural gas generating station, consisting of: (a) two advanced technology combustion turbines, designated as Unit 1 and Unit 2 (232.9 MW per unit); (b) two heat recovery, steam generators ("HRSGs"); and (c) one steam turbine (257.4 MW). West Riverside's approved design focused on utilizing advanced technologies to allow it to meet WPL's customers' energy needs and support the transition to more renewable generation, while using the least amount of natural gas possible (heat rate) and respond to market signals as rapidly as possible (ramp rate), while also minimizing water use. These cutting-edge designs have included components that have not met their warrantied standards of performance, and WPL has prudently sought to mitigate the overall cost impact associated with performance issues at West Riverside by successfully obtaining millions in engineering work under warranty associated with the facility construction issues that led to the unanticipated outages at West Riverside.

This Application is supported by testimony of WPL witnesses and related exhibits. Ex.-WPL-Michek-1, Schedule 1, shows WPL's actual 2022 fuel costs and native system requirements in comparison to WPL's approved 2022 Fuel Cost Plan. As shown on that schedule, WPL's actual fuel costs per MWh in 2022 were $33.62, or $10.55 (approximately 46% percent) higher than the approved monitored fuel costs of $23.07 per MWh. Additional details regarding WPL's 2022 fuel reconciliation, including the actual fuel costs and the variances from the approved 2022 Fuel Cost Plan, are provided in WPL's responses to Commission Staff Data Request Nos. FRA-1 through

FRA-41. WPL is separately filing those responses and hereby incorporates those responses by reference.

Deferred Account Balance Debit

As indicated above, WPL under-collected fuel costs by $116.8 million relative to the 2022 Fuel Cost Plan, after consideration of the two-percent fuel tolerance band. Ex.-WPL-Michek-1, Schedule 1, provides a calculation of WPL's DABD for 2022 following the formula established in Wis. Admin. Code § PSC 116.06. Ex.-WPL-Michek-1, Schedule 2, provides the calculations of the proposed cost recovery including interest during October 2023 through December 2025. To enable this 27-month recovery, WPL respectfully requests that the Commission order a short-term debt rate for 2024 and 2025, consistent with WPL's detailed recovery proposal. The total proposed recovery, including interest as prescribed in Wis. Admin. Cost § PSC 116.07, totals $122,559,822.

Rate Recovery of Under-Collection

WPL proposes to recover the 2022 under-collection through a rate change effective during October 2023 through December 2025. At present rates, WPL's requested proposed recovery of $122,559,822 represents an approximately 4.1 percent rate increase. WPL requests that the Commission set the recovery term and apply interest as proposed in accordance with Wis. Admin. Code §§ PSC 116.07(5), 116.03(3), and Wis. Stat. § 196.395(1), as applicable.

To recover the 2022 under-collection from October 2023 through December 2025, WPL proposes to apply a flat surcharge per kWh to retail electric rates. The proposed surcharge in tariff format is provided with testimony as Ex.-WPL-Dorn-3.

Conclusion

The information provided herein is consistent with the monthly fuel reports submitted by WPL for 2022.

WHEREFORE, WPL respectfully requests that the Commission find that WPL's DABD is accurate and includes only prudently incurred fuel costs and authorize WPL recover the 2022 fuel under-collection by increasing its rates for electric service in the amounts proposed by WPL.

Dated this 31st day of March 2023.

Respectfully Submitted,

/s/ Michael S. Greiveldinger
Michael S. Greiveldinger
Director, Regulatory & Wholesale Customer Affairs
Wisconsin Power and Light Company
4902 North Biltmore Lane
Madison, Wisconsin 53718
MichaelGreiveldinger@alliantenergy.com
608.458.3318