

Public Service Commission of Wisconsin
Direct Testimony of Kyle Saxe
Division of Energy Regulation and Analysis

Wisconsin Public Service Corporation
Docket 6690-UR-127

September 11, 2023

Public Service Commission of Wisconsin
RECEIVED: 9/11/2023 12:55:01 PM

1 **Q. Please state your name, business address, and occupation.**

2 A. My name is Kyle Saxe. My business address is 4822 Madison Yards Way, P.O. Box
3 7854, Madison, Wisconsin 53707-7854. I am employed by the Public Service
4 Commission of Wisconsin (Commission) as a Public Utility Auditor in the Division of
5 Energy Regulation and Analysis.

6 **Q. Please state your educational background and experience.**

7 A. I graduated from University of Wisconsin-Platteville in 2012, receiving a Bachelor of
8 Science degree with a major in Accounting. Prior to my position with the Commission,
9 I worked as an Internal Auditor for five years with the University of Wisconsin System
10 Administration where I primarily conducted operational, compliance, and financial
11 audits. After that, I worked as an Internal Audit Specialist with an insurance company
12 where I analyzed controls, policies, and procedures, and performed Model Audit Rule
13 testing. I have been employed as a Public Utility Auditor by the Commission since
14 November 2020.

15 **Q. Have you previously testified in proceedings before the Commission?**

16 A. Yes.

17 **Q. Please explain the purpose of this proceeding and describe Wisconsin Public Service
18 Corporation's (applicant) request to the Commission.**

1 A. On April 28, 2022, the applicant filed an application with the Commission requesting
2 authority to increase its electric and natural gas rates effective January 1, 2023. The
3 applicant also requested that the Commission authorize it to reopen the case to adjust
4 electric rates for 2024. On December 22, 2022, in its Final Decision¹ the Commission
5 ordered the applicant to file for a limited reopener for electric operations for the 2024 test
6 year to adjust electric rates to address additional capital investment through the
7 generation reshaping program (GRP) that will achieve commercial operation in 2023 and
8 2024 as well as to address reduced operations and maintenance (O&M) and fuel expenses
9 from future coal plan retirements.

10 On May 15, 2023, the applicant filed an application with the Commission for the
11 limited reopener and the 2024 Fuel Cost Plan pursuant to Wis. Admin. Code ch. PSC 116.
12 The applicant is requesting an overall reduction in electric revenue requirement of \$28.3
13 million or approximately 2.0 percent, which includes a 2024 fuel cost plan decrease of
14 \$36.9 million, for the test year ending December 31, 2024.

15 **Q. What is the purpose of your testimony?**

16 A. The purpose of my testimony is to provide the Commission, and all parties in this
17 proceeding, with a proposed incremental adjustment to the authorized revenue
18 requirement for the test year ending December 31, 2024 for the electric utility, to be used
19 as a basis for determining final rates in this docket.

20 **Q. Please summarize Commission staff's estimated revenue impacts for the applicant's**
21 **electric operations.**

¹ Final Decision, December 22, 2022 (PSC REF#: 455196)

1 A. Based on its audit, Commission staff estimates that at the total company level, a \$44.6
2 million reduction or approximately 3.32 percent decrease is needed, with a Wisconsin
3 jurisdictional decrease of \$39.8 million or approximately 3.15 percent for the 2024 test
4 year. The estimated electric deficiencies, which include the 2024 fuel cost plan, are
5 based on the Commission authorized 9.80 percent return on common stock equity (ROE).
6 The incremental fuel adjustments will be discussed in the direct testimony of
7 Commission staff witness Klaus Mylotta. Commission staff's incremental revenue
8 requirement impact is shown in Table 1 below, titled *Estimated Incremental Revenue*
9 *Requirement Impact*.

10 **Table 1 – Estimated Incremental Revenue Requirement Impact**

2024 Test Year			
		WPSC Electric	
		Electric (\$ in 000's)	Electric WI Jur (\$ in 000's)
Applicant Filed Incremental Revenue Requirement Impact – Non-Fuel		\$ 8,650	\$ 7,712
Staff Incremental Revenue Requirement Adjustments – Non-Fuel		0	0
Total Staff Revenue Requirement Adjustments		0	0
Staff Adjusted Incremental Revenue Requirement - Non-fuel		8,650	7,712
Applicant Filed Incremental Revenue Requirement Impact - Fuel		(36,921)	(32,919)
Staff Incremental Fuel Adjustments			
Sales for Resale		(3,601)	(3,211)
Fuel & Purchased Power		(12,773)	(11,388)
Total Staff Revenue Requirement Adjustments - Fuel		(16,374)	(14,599)
Staff Adjusted Incremental Revenue Requirement Impact - Fuel		(53,295)	(47,518)
Total Staff Incremental Revenue Requirement Impact		\$ (44,645)	\$ (39,805)
Sales at Present Rates		1,344,764	1,265,661
Required Percentage Rate increase		-3.32%	-3.15%

1 **Q. Please discuss the applicant’s proposed incremental adjustments to electric utility plant**
2 **in service.**

3 A. The applicant requested an \$8.7 million incremental revenue requirement increase for new
4 electric generation assets that will achieve commercial operation in the 2024 test year. The
5 assets in question are the Paris Solar Generating and Battery Energy Storage System
6 authorized in docket 5-BS-254,² the Darien Solar Generating and Battery Storage System
7 authorized in docket 5-BS-255,³ the Weston Reciprocating Internal Combustion Engine
8 project (Weston RICE) authorized in docket 5-CE-153,⁴ and various distribution connected
9 solar projects as identified in the direct testimony of applicant witness Richard Stasik
10 (Direct-WPSC-Stasik-5).

11 Commission staff reviewed and verified the incremental costs and applied the
12 applicants authorized economic cost of capital to determine the revenue requirement impact
13 of each project and found no concerns with the applicants estimated revenue requirement
14 impacts.

15 **Q. Please discuss the distribution connected solar projects.**

16 A. The applicant included in its filing smaller distribution-connected solar projects which are
17 connected to the distribution system. Due to the size and cost, these facilities do not require a
18 Certificate of Authority (“CA”) for purchase or a Certificate of Public Convenience and
19 Necessity (“CPCN”) for construction. Commission staff reviewed the information and found
20 no concerns with the inclusion of the projects, nor with the applicant’s estimated incremental
21 revenue requirement impact.

² Final Decision, May 25, 2022 (PSC REF#: 438529)

³ Final Decision, January 31, 2023 (PSC REF#: 458394)

⁴ Final Decision, June 24, 2022 (PSC REF#: 441294)

1 **Q. Do you have any comments regarding the supplemental direct testimony of Mr. Stasik**
2 **requesting inclusion of the inadvertently omitted Weston RICE materials and supplies**
3 **inventory?**

4 A. Yes. Commission staff reviewed the filed information and found no concerns with the
5 calculation of the \$0.144 million incremental increase related to the inclusion of the Weston
6 RICE materials and supplies inventory. However, due to the late timing of the request, the
7 impact was not included in Commission staff’s estimated 2024 revenue requirement.

8 **Q. Would the inclusion of the identified materials and supplies inventory be appropriate?**

9 A. Order Condition 12 of the Final Decision in docket 6690-UR-127,⁵ states in part, “the
10 applicant is authorized to file a limited reopener for the 2024 test year electric
11 operations to address additional capital investment through the GRP that will achieve
12 commercial operation in 2023 and 2024.” The materials and supplies inventory support the
13 operation of the Weston RICE units and could therefore be considered a part of the overall
14 capital investment. Given that, the Commission could find it reasonable to include the
15 impact in the determination of the final 2024 revenue requirement.

16 **Q. Please discuss the force majeure filing related to Badger Hollow II.**

17 A. On September 5, 2023, the applicant filed a force majeure change order in docket 5-BS-234.
18 The change order is the result of changes made in response to continued Force Majeure
19 Events related to the implementation of the Uyghur Forced Labor Prevention Act
20 (UFLPA) that have restricted and delayed importation of modules to the project. The
21 delays in delivery of the panels have increased a variety of related projects costs
22 including contract staffing costs, costs to extend warranties of equipment, and additional
23 landowner payments. However, due to the late timing of the filing, Commission staff has

⁵ Final Decision, December 22, 2022 (PSC REF# 455196)

1 not reviewed nor analyzed the applicants request. Therefore, Commission staff did not
2 include any costs related to the late filing in this proceeding.

3 **Q. Is there anything you would like addressed regarding the Infrastructure Investment**
4 **Jobs Act of 2021?**

5 A. Yes. On November 15, 2021, the Infrastructure Investment Jobs Act of 2021 also known
6 as the Bipartisan Infrastructure Law (Act) was signed into law. At this time, it is
7 unknown if there would be any potential impacts resulting from the Act. Therefore, the
8 Commission may wish to consider requiring the applicant to defer, with or without
9 carrying costs, any impacts of the Act to a future rate proceeding. This would ensure
10 both the applicant and its customers remain whole as a deferral would capture any cost
11 increases or savings.

12 **Q. Will you be providing any delayed exhibits?**

13 A. Yes. I will provide a delayed exhibit titled Ex.-PSC-Data Request-Responses which will
14 include the individual questions asked in Commission staff's data requests to the
15 applicant, as well as links to the responses provided by the applicant.

16 Additionally, I may provide a delayed exhibit titled Ex.-PSC-Public Comments,
17 which would include public comments received in this proceeding.

18 **Q. Does this conclude your direct testimony?**

19 A. Yes, it does.

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