

Public Service Commission of Wisconsin
Direct Testimony of Debra Probst
Division of Energy Regulation and Analysis

Wisconsin Electric Power Company and Wisconsin Gas LLC
Docket 5-UR-110

September 12, 2023

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

2 A. My name is Debra Probst. 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 an Audit Supervisor in the Division of
5 Energy Regulation and Analysis.

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

7 A. I graduated from the University of Wisconsin-Whitewater in 2004, receiving a Bachelor
8 of Business Administration degree with a major in Accounting, and again in 2005,
9 receiving a Master of Professional Accountancy degree. Prior to accepting my position
10 with the Commission, I worked at a public accounting firm for five years, where I
11 primarily provided assurance services to businesses in the real estate and nonprofit
12 industries. After that, I worked as an assistant controller at two different companies,
13 where I prepared, analyzed, and reviewed financial statements and created ad hoc reports
14 to assist with business decisions. I have been employed by the Commission since
15 September 2019.

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

17 A. Yes.

1 **Q. Please explain the purpose of this proceeding and describe Wisconsin Electric**
2 **Power Company’s (WEPCO) and Wisconsin Gas LLC’s (WG) (together,**
3 **applicants) request to the Commission.**

4 A. On April 28, 2022, the applicants filed a joint application with the Commission
5 requesting authority to adjust electric, natural gas, and steam rates effective January 1,
6 2023. In addition, WEPCO requested that the Commission authorize a limited electric
7 rate reopener for 2024 to address the revenue requirements associated with recovering
8 new capital investments that will achieve commercial operation in 2023 and 2024 as well
9 as to address reduced operations and maintenance (O&M) expenses from future coal
10 plant retirements. The applicants also requested that the Commission authorize a limited
11 reopener for WEPCO natural gas and WG to address the additional revenue requirements
12 associated with a new facility being in service for a full year and a liquefied natural gas
13 facility that will achieve commercial operation during 2024.

14 On December 29, 2022, the Commission issued a Final Decision (PSC REF#:
15 455451) in this docket that established rates for service beginning January 1, 2023 for
16 electric, natural gas, and steam operations. For the 2024 test year, base rates for
17 WEPCO’s steam operations were held flat. Additionally, the Commission ordered the
18 applicants to file for a limited electric rate reopener for 2024 to address the revenue
19 requirements associated with recovering new capital investments that will achieve
20 commercial operation in 2023 and 2024, as well as to address reduced O&M expense
21 from future coal plant retirements. The Commission also required the applicants to
22 include details regarding their Storm Hardening Program, to report on all funding
23 opportunities, including any federal grants or other forms of financial assistance that the

1 applicants have pursued or are pursuing related to this program, and to include the
2 analysis of alternative recovery scenarios for the Oak Creek Power Plant (OCPP). The
3 Commission also ordered the applicants to file a limited natural gas reopener for 2024 to
4 address the additional revenue requirements associated with a new facility being in
5 service for a full year and a liquefied natural gas facility that will achieve commercial
6 operation during 2024.

7 On May 15, 2023, the applicants filed an application with the Commission for the
8 limited reopener and the 2024 Fuel Cost Plan pursuant to Wis. Admin. Code ch. PSC 116.
9 The applicants are requesting an increase of \$86.3 million, or 2.5 percent in WEPCO
10 electric revenues, which includes a 2024 Fuel Cost Plan increase of \$41.3 million, or
11 1.2 percent, an increase of \$23.9 million, or 4.5 percent for WEPCO natural gas revenues,
12 and an increase of \$22.2 million, or 2.9 percent, for WG gas revenues.

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

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

18 **Q. Are you sponsoring any exhibits with your direct testimony?**

19 A. Yes, I am sponsoring one exhibit. Ex.-PSC-Probst-1 is entitled *Estimated Incremental*
20 *Revenue Requirement Impact Wisconsin Electric Power Company (Electric and Natural*
21 *Gas Operations) and Wisconsin Gas LLC for the Test Year Ending December 31, 2024.*

22 **Q. Was this exhibit prepared by you or at your direction?**

23 A. Yes, it was.

1 **Q. Please summarize Commission staff’s estimated revenue deficiencies for the**
2 **applicants’ electric and natural gas operations.**

3 A. Based on its audit, Commission staff estimated at a total company level, a \$78.4 million or
4 2.31 percent increase for WEPCO electric operations with a Wisconsin jurisdictional
5 increase of \$76.4 million or 2.28 percent; a \$21.3 million or 4.04 percent increase for
6 WEPCO gas operations; and a \$19.5 million or 2.52 percent increase for WG for the 2024
7 test year. The estimated revenue deficiencies are based on the Commission-authorized
8 9.80 percent rate of return on common equity (ROE).

9 **Q. Please explain Schedule 1 of Ex.-PSC-Probst-1.**

10 A. Schedule 1 shows the applicants’ filed incremental revenue requirement impact –
11 non-fuel and Commission staff’s revenue requirement adjustments for WEPCO electric
12 operations, WEPCO gas operations and WG operations. In addition, the schedule shows
13 Commission staff’s incremental fuel adjustment, and a total Commission staff
14 incremental revenue requirement impact for the 2024 test year. The incremental fuel
15 adjustment is discussed in the direct testimony of Commission staff witness Klaus
16 Mylotta.

17 **Q. Please explain the Commission staff adjustments to Liquefied Natural Gas (LNG)**
18 **Bluff Creek – O&M and LNG Ixonia – O&M.**

19 A. The applicants included O&M revenue requirement impacts of \$2.6 million for LNG
20 Bluff Creek and \$2.1 million for the Ixonia projects, as authorized in docket 5-GC-109,¹
21 for WEPCO natural gas operations and WG, respectively for the 2024 test year.
22 Commission staff removed these O&M amounts from the revenue requirement impacts

¹ Final Decision, December 22, 2021 (PSC REF# 427782)

1 pending the Commission providing guidance on its intent of what amounts should be
2 included in the limited reopener. In the Commission’s Final Decision in this docket,²
3 Order Condition 35 required the applicants to file a limited natural gas reopener for 2024
4 to address the additional revenue requirements associated with a new facility being in
5 service for a full year (LNG Bluff Creek) and an LNG facility that will achieve
6 commercial operations during 2024 (LNG Ixonia). If the Commission’s intent was to
7 include all aspects of revenue requirement including O&M impacts in the reopener, the
8 Commission may wish to accept the applicants’ request and include the O&M impacts
9 discussed above. Conversely, if the Commission’s intent was to only include rate base
10 impacts the Commission could find Commission staff’s adjustment to remove the O&M
11 impacts appropriate.

12 **Q. Please discuss the applicants’ proposed incremental adjustments to electric and**
13 **natural gas utility plant in service.**

14 A. The applicants requested a total company incremental revenue requirement increase of
15 \$45 million for WEPCO electric operations, \$43.8 million Wisconsin retail, and a
16 \$23.9 million increase for WEPCO gas operations for electric and gas generation assets
17 that will achieve commercial operation in 2023 or 2024. The assets in question for
18 WEPCO electric operations are the Paris Solar Generating and Battery Energy Storage
19 System (Paris Solar) authorized in docket 5-BS-254,³ the Darien Solar Generating and
20 Battery Storage System authorized in docket 5-BS-255,⁴ the Weston Reciprocating
21 Internal Combustion Engine project (Weston RICE) authorized in docket 5-CE-153,⁵ the

² Final Decision, December 29, 2022 (PSC REF# 455451)

³ Final Decision, May 25, 2022 (PSC REF#: 438529)

⁴ Final Decision, January 31, 2023 (PSC REF#: 458394)

⁵ Final Decision, June 24, 2022 (PSC REF#: 441294)

1 Badger Hollow II Solar Generating Facility (Badger Hollow II) authorized in docket
2 5-BS-234,⁶ the West Riverside Energy Center (West Riverside) authorized in docket
3 5-BS-265,⁷ the purchase of the second tranche of West Riverside, and various
4 distribution connected solar projects, as identified in the direct testimony of applicants'
5 witness Richard Stasik. (Direct-WEPCO/WG-Stasik-7.) For WEPCO gas operations,
6 the applicants requested a revenue requirement increase of \$23.9 million for the Bluff
7 Creek LNG plant, and for WG, the applicants requested a revenue requirement increase
8 of \$22.2 million for the Ixonia LNG plant.

9 Commission staff reviewed and verified the incremental costs and applied the
10 applicants' authorized economic cost of capital of 9.68 percent for WEPCO and
11 8.86 percent for WG to determine the revenue requirement impact of each project and
12 found no concerns with the applicants' estimated revenue requirement impacts.

13 **Q. Please discuss the distribution-connected solar projects.**

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

20 **Q. Please discuss Commission staff's adjustments to the applicants' requested revenue**
21 **requirement increase for WEPCO electric operations.**

⁶ Final Decision, March 6, 2020 (PSC REF#: 385279)

⁷ Final Decision, March 13, 2023 (PSC REF#: 4617110)

1 A. Commission staff made two adjustments to WEPCO electric operations. First, the
2 Badger Hollow II project has experienced \$10 million in project cost overruns.
3 Commission staff disallowed the cost overruns pending project completion when a
4 thorough cost review can be completed. However, even though Commission staff has not
5 reviewed these cost overruns, the Commission could choose to include some or all of the
6 cost overruns. Should the Commission wish to include the full amount of the cost
7 overrun in this proceeding, the revenue requirement impact would be approximately
8 \$1.2 million. Conversely, the Commission may wish to consider deferring the cost
9 overruns, with or without carrying costs, pending project completion and cost review. If
10 the Commission wishes to consider carrying costs, Commission staff would recommend
11 using the economic cost of capital as the costs are for a capital investment. Finally, the
12 Commission may choose to disallow some or all of the cost overruns if the Commission
13 determines there should be a cost sharing between the rate payers and the shareholders.
14 I would note that the applicants notified the Commission of a force majeure change order
15 for Badger Hollow II in docket 5-BS-234 which will be discussed later in my testimony.
16 The force majeure change order is not a part of the above discussed cost overruns.

17 The second adjustment removed the cost of the applicants' purchase of the second
18 tranche of West Riverside. To date, an application has not been filed and thus
19 Commission staff removed the costs pending application review and a Commission
20 decision on the appropriateness of the purchase. Should the Commission approve the
21 West Riverside purchase prior to the discussion of record in this proceeding, the revenue
22 requirement impact of including the purchase would be approximately \$7.8 million.

1 **Q. Please discuss Commission staff’s adjustment to the applicants’ requested revenue**
2 **requirement increase for WG gas operations.**

3 A. The Ixonia LNG project has experienced project cost overruns of \$9.7 million.
4 Consistent with the treatment of cost overruns for the Badger Hollow II project,
5 Commission staff disallowed the cost overruns pending project completion when a
6 thorough cost review can be completed. However, even though Commission staff has not
7 reviewed these cost overruns, the Commission could choose to include some or all of the
8 cost overruns. Should the Commission wish to include the full amount of the cost
9 overrun in this proceeding, the revenue requirement impact would be approximately
10 \$0.624 million. Conversely, the Commission may wish to consider deferring the cost
11 overruns, with or without carrying costs, pending project completion and cost review. If
12 the Commission wishes to consider carrying costs, Commission staff would recommend
13 using the economic cost of capital as the costs are for a capital investment. Finally, the
14 Commission may choose to disallow some or all of the cost overruns if the Commission
15 determines there should be a cost sharing between the applicants’ rate payers and its
16 shareholders.

17 **Q. Do you have any comments regarding the supplemental direct testimony of**
18 **Mr. Stasik requesting inclusion of inadvertently-omitted Weston RICE materials**
19 **and supplies inventory?**

20 A. Yes. Commission staff reviewed the filed information and found no concerns with the
21 calculation of the requested \$0.153 million incremental increase related to the Weston
22 RICE materials and supplies inventory. However, due to the late timing of the request,
23 the impact was not included in Commission staff’s estimated 2024 revenue requirement.

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

3 A. Order Condition 34 of the Final Decision in docket 5-UR-110⁸ states, in part, “the
4 applicants are authorized to file a limited electric rate reopener for the 2024 test year to
5 address the revenue requirement associated with recovering new capital investments that
6 will achieve commercial operation in 2023 and 2024.” The materials and supplies
7 inventory support the operation of the Weston RICE units and could therefore be
8 considered part of the overall capital investment. Given that, the Commission could find
9 it reasonable to include the impact in the determination of the final 2024 revenue
10 requirement.

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

12 A. On September 5, 2023, the applicants filed a force majeure change order for Badger
13 Hollow II in docket 5-BS-234. The change order is the result of changes made in
14 response to continued Force Majeure Events related to the implementation of the Uyghur
15 Forced Labor Prevention Act (UFLPA) that have restricted and delayed importation of
16 modules to the project. The delays in delivery of the panels have increased a variety of
17 related projects costs including contract staffing costs, costs to extend warranties of
18 equipment, and additional landowner payments. However, due to the late timing of the
19 filing, Commission staff has not reviewed nor analyzed the applicants’ request.
20 Therefore, Commission staff did not include any costs related to the late filing in this
21 proceeding.

22 **Q. Please discuss the force majeure filing related to Paris Solar.**

⁸ Final Decision, December 29, 2022 (PSC REF# 455451)

1 A. On September 5, 2023, the applicants filed a force majeure change order for Paris Solar
2 in docket 5-BS-254. The change order is the result of changes made in response to
3 continued Force Majeure Events related to the implementation of the UFLPA that have
4 restricted and delayed importation of modules to the project. The delays in delivery of
5 the panels have increased a variety of related projects costs including contract staffing
6 costs, costs to extend warranties of equipment, and additional landowner payments.
7 However, due to the late timing of the filing, Commission staff has not reviewed nor
8 analyzed the applicants' request. Therefore, Commission staff did not include any costs
9 related to the late filing in this proceeding.

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

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

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

20 A. Yes, I will be providing two additional exhibits titled Ex.-PSC-Public Comments, which
21 will include the public comments received in this proceeding, and Ex.-PSC-Data-Request
22 Responses, which will include all data requests issued by Commission staff, along with
23 the responses to those requests.

1 **Q. Do you have any comments regarding the Storm Hardening direct testimony**
2 **provided by the applicants' witness Steven A. Pecha?**

3 A. Yes. Commission staff reviewed Mr. Pecha's direct testimony regarding the Storm
4 Hardening program and the funding opportunities that the applicants have pursued. Based
5 on Commission staff's review of the additional program details, it appears that no projects
6 require a CA as all projects appear to be below the cost threshold. In order to allow the
7 Commission additional information regarding the Storm Hardening program on an ongoing
8 basis to monitor the effectiveness of the projects, the Commission may wish to consider
9 requiring the applicant to provide reporting on an annual basis similar to what it ordered
10 Wisconsin Public Service Corporation (WPSC) to report on for its System Modernization
11 and Reliability Project. In the Commission's Final Decision⁹ in docket 6690-CE-198, the
12 Commission ordered WPSC prior to each construction cycle to file with the Commission
13 reports on the effectiveness of the proposed project based on annual construction plan
14 reports and annual post-construction reports.

15 Commission staff also noted that the applicants identified and pursued two
16 funding opportunities to help defray the cost of the Storm Hardening program as
17 discussed by Mr. Pecha in his direct testimony. (Direct-WEPCO/WG-Pecha-10.) As
18 discussed above, the Commission may wish to consider deferral treatment related to any
19 IJJA funds received.

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

21 A. Yes, it does.

DAP:arw;jlt:DL:01965488

⁹ Final Decision, dated March 9, 2017 (PSC REF#: 299079)