

**BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN**

Application of Wisconsin Electric Power Company
For Approval of Deferral Accounting Treatment of Increased
Forestry Activity in Response to Continued Severe Storms

Docket 6630-AF-XXX

APPLICATION

Wisconsin's climate is changing. Wisconsin Electric Power Company's ("Wisconsin Electric" or the "Company") electric distribution system has been increasingly impacted during recent severe weather events, particularly over the past decade. Southeastern Wisconsin is seeing a significant increase in the frequency and intensity of year-round storms, including tornados and high wind events. These storms are impacting customers with larger and longer events, including as recently as January 12-14 of this year.

Consider the number of major storm events, which is a storm impacting more than 100,000 Wisconsin Electric customers.

- In the past five years alone (since 2019) Wisconsin Electric has experienced a severe weather event outage eight times.
- In the previous 43 years, 1976-2019, the Company only experienced six severe weather events.

Number of severe weather events impacting more than 100,000 customers, since 1976.



The impacts of these storms have been magnified by the severe Emerald Ash Borer infestation in the Company's service territory, which has resulted in dead and dying trees—many that are outside of our trim areas—that are susceptible to storm damage.

Wisconsin Electric seeks Commission permission to:

- defer any storm restoration costs incurred during 2024 in excess of the \$8.5 million

- included in rates for 2024 storm recovery costs, and
- spend up to an additional \$25 million in 2024 to accelerate forestry efforts to prevent future widespread outages, and defer that amount for recovery in the Company’s next rate case.

The Company is currently authorized to recover approximately \$19 million annually for forestry work. This amount is simply insufficient to keep up with the twin threats posed by severe weather and the Emerald Ash Borer. The Company plans to seek a significant increase in authorized revenues for forestry, to approximately \$43 million, in its test year 2025 rate case to continue to accelerate this necessary forestry work.

The deferral sought here is an attempt to begin this critically important acceleration in forestry work now, rather than waiting another year, to reduce the risks of extended outages and improve reliability for our customers. The Company requests that the Commission approve the requested \$25 million deferral as soon as practicable to give our crews a realistic chance of making progress in 2024 with respect to the forestry challenges that have threatened the reliability of our distribution system in recent years.

Background

Severe weather events in Wisconsin are growing. As the Governor’s Task Force on Climate Change found:

Climate challenges include more hot, humid weather with more intense and more frequent heavy rainfalls, as well as freezing winter rain instead of snow, followed by deep winter freezes (such as those from a polar vortex.) These changes affect the stability of Wisconsin’s economic sectors as well as human health and safety.¹

Just this month, Wisconsin experienced its first February tornado in recorded history. The recent severe weather events have resulted in historically high numbers of electric customer outages. The widespread damage these events have caused to the Company’s facilities has resulted in extended outages—in some cases multiple days for tens of thousands of customers. Here are just a few examples of the increasing customer outages we have seen from the severe storms in southeastern Wisconsin:

- **January 29-31, 2019 “Polar Vortex” (several thousand customers impacted)** Record low temperatures bringing wind chills to nearly -60°F across Wisconsin caused electric equipment to break or malfunction, including some power lines to constrict and snap, causing outages.
- **August 10, 2021 (over 210,000 customers impacted)** Severe thunderstorms with damaging winds of 60 to 80 miles per hour blew across the state toppling trees and branches into electric equipment. The storm caused widespread damage and thousands of

¹ Governor’s Task Force on Climate Change Report, Dec. 2020, p. 5.

hazards, including downed trees that blocked roads, uprooted natural gas and electric lines, and damaged electric equipment. Wisconsin Electric needed to replace—and in many cases rebuild—portions of its distribution system by replacing or repairing hundreds of poles and transformers, stringing more than five miles of new power cables during the restoration efforts, which took more than 1,000 people working around the clock for multiple days. While approximately 200,000 of impacted customers were restored within 48 hours, some of the remaining outages took up to five days to be restored given the severity and wide-ranging damage.

- **December 15-17, 2021 (over 125,000 customers impacted)** Following record warm weather in Wisconsin for December, severe weather—including nine tornados (the first December tornados to strike Wisconsin in over 50 years)—hit the state. The damage was widespread. Trees and limbs fell onto power lines, causing over 125,000 Wisconsin Electric customers to lose power.
- **January 12-14, 2024 (over 230,000 customers impacted)** Most recently, a severe winter storm on January 12-14 of this year brought significant amounts of wet and heavy snow, high winds, and extremely low temperatures. As a result of the storm, 233,000 Wisconsin Electric customers experienced service interruptions,² with many lasting a day or longer. The Company believes this outage was the largest single outage in its history.

Exacerbating the customer impact of this outage were the severe cold temperatures and the fact that many home heating systems require electricity to start, putting customer safety and protections of their homes and business equipment at significant risk. Last month's storm caused significant damage to Wisconsin Electric's distribution system, including downed wires, transformers, and poles. In addition to Wisconsin Electric's own crews performing repair and restoration work, the Company requested mutual aid from Wisconsin Public Service Corporation and other in-state and out-of-state contractors. The Company also requested vegetation line clearance contractors (Asplundh) from southeastern Wisconsin, the Fox Valley, and WPS to assist with clearing trees from lines and the right of way.

The Company's work to restore customers as quickly and safely as possible from outages caused by the January 12-14 storm cost approximately \$9.5 million, which is more than the Company's entire budget for storm restoration for 2024. As a part of this application, Wisconsin Electric seeks storm deferral accounting for storm restoration costs in excess of the amount it is currently authorized to recover in 2024.

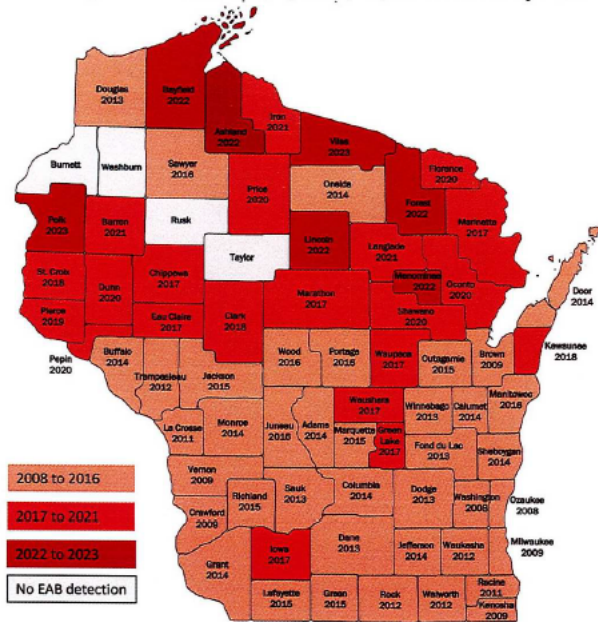
The Emerald Ash Borer: In addition, Wisconsin Electric faces another growing challenge in its efforts to protect its electric distribution system from the Emerald Ash Borer infestation that has killed or is at risk of killing a significant percentage of ash trees. The number of ash trees killed by the Emerald Ash Borer has increased greatly over the last decade. According to the Wisconsin DNR, the Emerald Ash Borer infestation will kill 98% of the 898,000,000 ash trees in Wisconsin, despite state and federal regulations intended to limit the spread of the invasive pest. Wisconsin Electric estimates that of the over 150,000 ash trees that could impact its overhead

² See Wisconsin Electric Major Service Interruption Report for January 1 – January 15, 2024 (PSC REF: 490354)

lines, 30% of those trees have or will become dead or dying “hazard trees” due to the Emerald Ash Borer infestation within the next 5-10 years, becoming susceptible to wind damage.

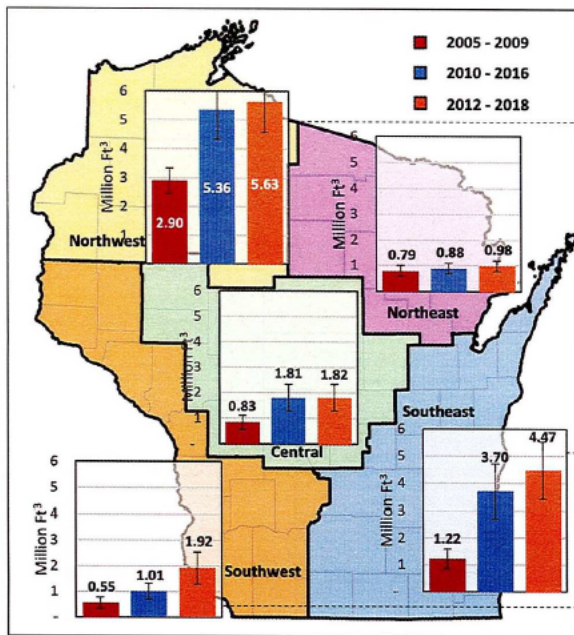
Emerald Ash Borer

First county detection by year, updated May 2023



Source: Wisconsin Department of Natural Resources

Change in average annual mortality by region in Wisconsin before and after EAB was found



In the northwest, tree mortality has approximately doubled (2.9 -> 5.6) over the period of 2012-2018 vs. that of 2005-2009

In the southeast and southwest, tree mortality rates have nearly quadrupled (0.55 -> 1.92 & 1.22 -> 4.47) over the same time frame. This is largely driven by the earlier introduction of the EAB.

Source: Wisconsin Department of Natural Resources
 1. Based on We Energies 2011 EAB action plan
 2. Ash Report 2019, Wisconsin Department of Natural Resources

In light of this growing threat, Wisconsin Electric would like to expend some portion of the \$25 million to target certain areas outside of its historic tree trimming zone of 10 feet from conductors and 25 feet of overhang to include dead or dying vegetation “within the strike (or fall) zone” that can impact distribution facilities. This strategy will include removing hazard tree limbs and hazard trees, including the many dead ash trees that have succumbed to the Emerald Ash Borer outside of the Company’s current trimming zone, but close enough to facilities to cause an outage if the tree was to fall on Wisconsin Electric’s distribution facilities.

Legal and Operational Basis for Deferral Request

The Commission has allowed deferral of storm damage restoration costs in situations like what the Company faced in January of this year. *See, e.g., Application of North Central Power Co., Inc. for Approval of Deferral Accounting Treatment of Storm Damage and Repair Costs*, Docket No. 4190-AF-101, at 2 (Jul. 3, 2023); *Application of Northwestern Wisconsin Electric Co. for Authority to Increase Electric Rates*, Docket No. 4280-ER-105 (Dec. 29, 2011). In *Wisconsin’s Env’tl. Decade, Inc. v. PSCW*, 98 Wis. 2d 682 (Ct. App. 1980), Court of Appeals recognized an exception to the rule against retroactive ratemaking codified at Wis. Stat. § 196.37(1) for extraordinary losses caused by storms. The court affirmed the PSCW’s inclusion in Wisconsin Electric’s rates of an amortized portion of storm damage costs incurred by the Company from a severe ice storm in 1976. 98 Wis. 2d at 698-700.

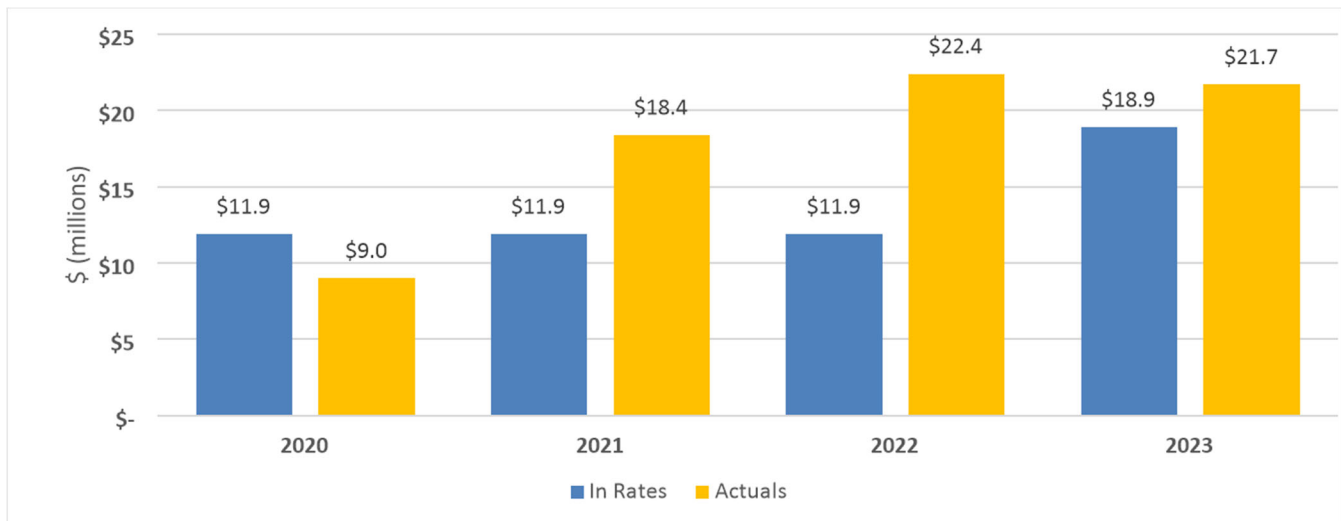
Various regulatory commissions around the country have also authorized deferral of accelerated forestry efforts to address emergent hazards to distribution systems. For example, the New York Public Service Commission allowed Central Hudson Gas & Electric to defer the costs of a “targeted distribution emerald ash borer danger tree program” as a bridge to a request for a substantial increase in forestry funding in the utility’s next rate case. *Petition of Central Hudson Gas & Electric Corporation for Approval for Deferral Accounting Authority for Incremental Funding for Distribution Hazard Tree and Electric Transmission Trimming Program and for Relief from the 2016 SAIFI Service Quality Performance Metric Violation and Expedited Treatment*, Docket No. 17-E-250 (Sept. 18, 2017). The Montana Public Service Commission allowed Pacific Power & Light to defer the increased cost of dealing with a “serious tree interference problem ... in many parts of its Montana service territory.” *In. re. Request of Power and Light Company Concerning Treatment of the Deferral and Recovery of Tree Trimming Expense*, Docket No. 87.4.26 (Jun. 5, 1987).

Wisconsin Electric sought \$75 million from the federal Department of Energy’s Grid Resilience and Innovation Partnership program for enhanced forestry activities including removal of hazard trees both within and outside of the Company’s right of way. However, the Company was informed on October 18, 2023 that its project was not selected for an award. If and when the Company becomes aware of additional funding available for enhanced forestry, it will pursue those opportunities.

Despite spending more on forestry work than has been authorized by the Commission for

customer rates over the past several years³ (See Figure 1), the Company’s reliability metrics have been regressing from 2017 – 2022 with the trend projected through 2023 to continue on that path into the future, as shown in Figures 2 for System Average Interruption Frequency Index (“SAIFI”)⁴, Figure 3 for System Average Interruption Duration Index (“SAIDI”)⁵ and Figure 4 for Customer Average Interruption Duration Index (“CAIDI”).⁶ For context, in terms of electric reliability, the Company’s first goal is to prevent outages from occurring and limiting the number of customers impacted, which is measured by SAIFI (total number of customer interruptions divided by total number of customers in the system). Wisconsin Electric’s secondary goal, once an outage has occurred, is to minimize the duration of the outage to the customers. This is measured by SAIDI, which is the sum of customer minutes of interruption divided by number of customers during the period.

Figure 1: Wisconsin Electric Forestry Costs in Authorized Rates and Actual Costs 2020 – 2023



³ Based on data in Company rate case filings for test year 2020 (Docket: 5-UR-110) and test year 2023 (Docket: 5-UR-110) compared to actual spending on routine forestry activity.

⁴ SAIFI measures the average number of interruptions per customer annually. The higher the measure, the more times, on average, a customer is interrupted during the reporting period. Based on date filed with the PSCW in Annual Reliability Reports in docket 5-GI-113.

⁵ SAIDI measures the total sustained interruption duration for the average customer annually. The higher the measure, the longer the duration of a sustained outage for an average a customer during the reporting period. Based on date filed with the PSCW in Annual Reliability Reports in docket 5-GI-113.

⁶ CAIDI measures the average time to restore service to a customer. The higher the measure, the longer the restoration of outages took during the reporting period. Based on date filed with the PSCW in Annual Reliability Reports in docket 5-GI-113.

Figure 2: Wisconsin Electric SAIFI History (2017 – 2022) and Trend to 2023

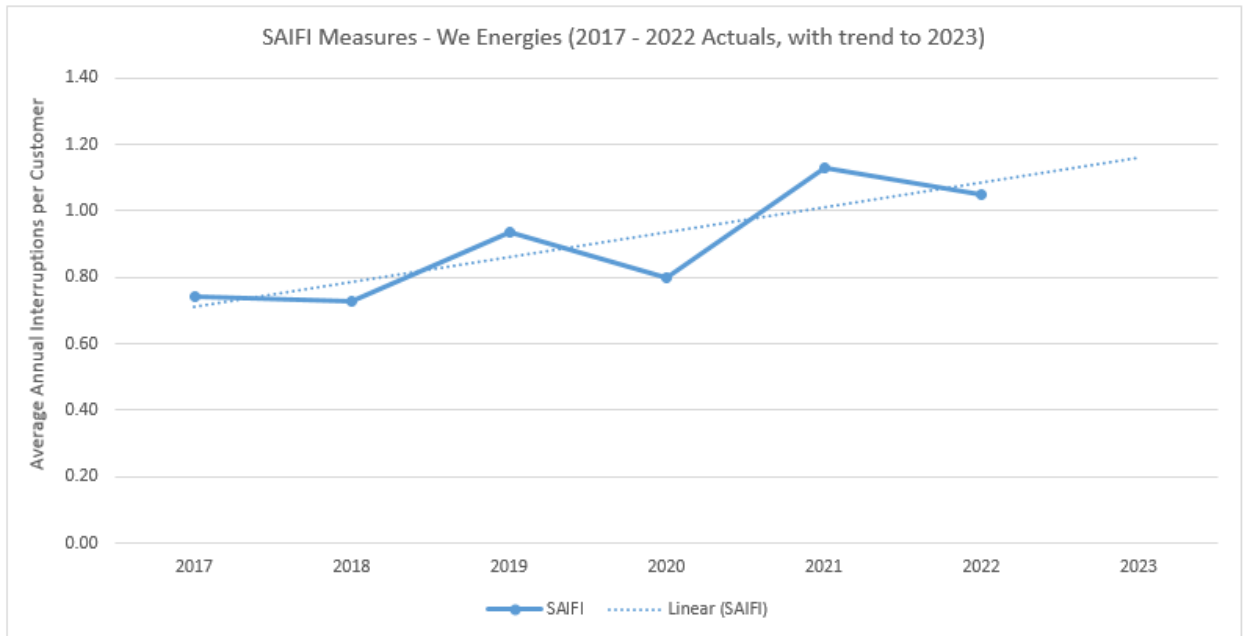


Figure 3: Wisconsin Electric SAIDI History (2017 – 2022) and Trend to 2023

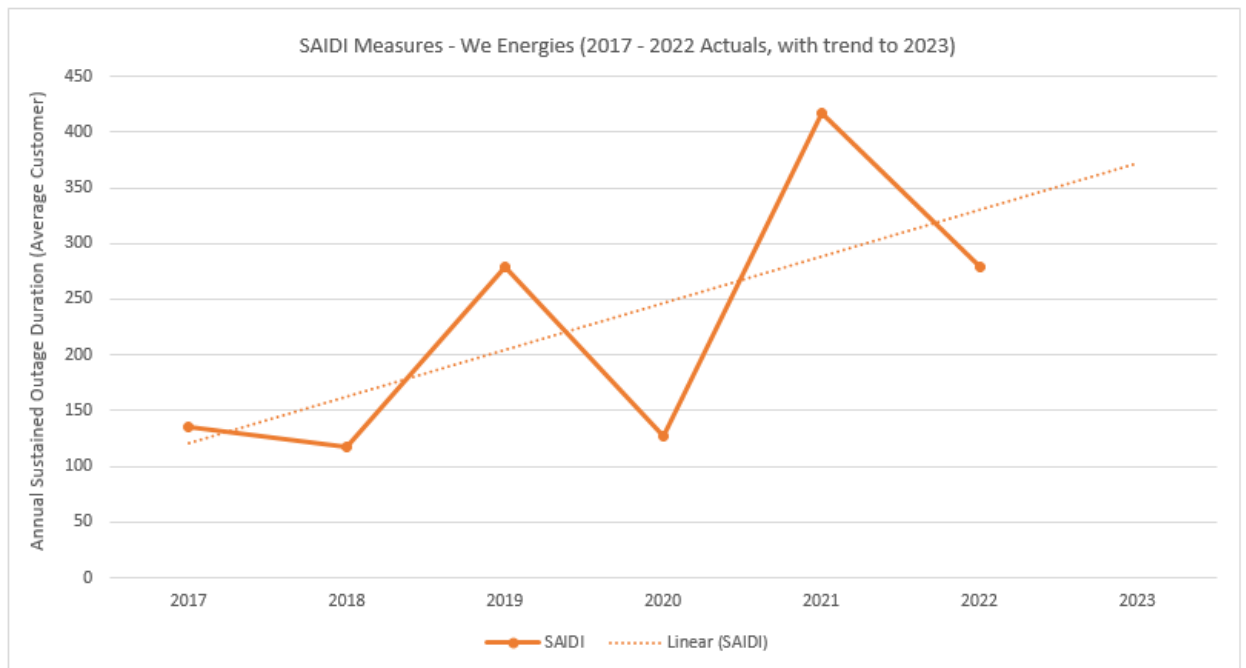
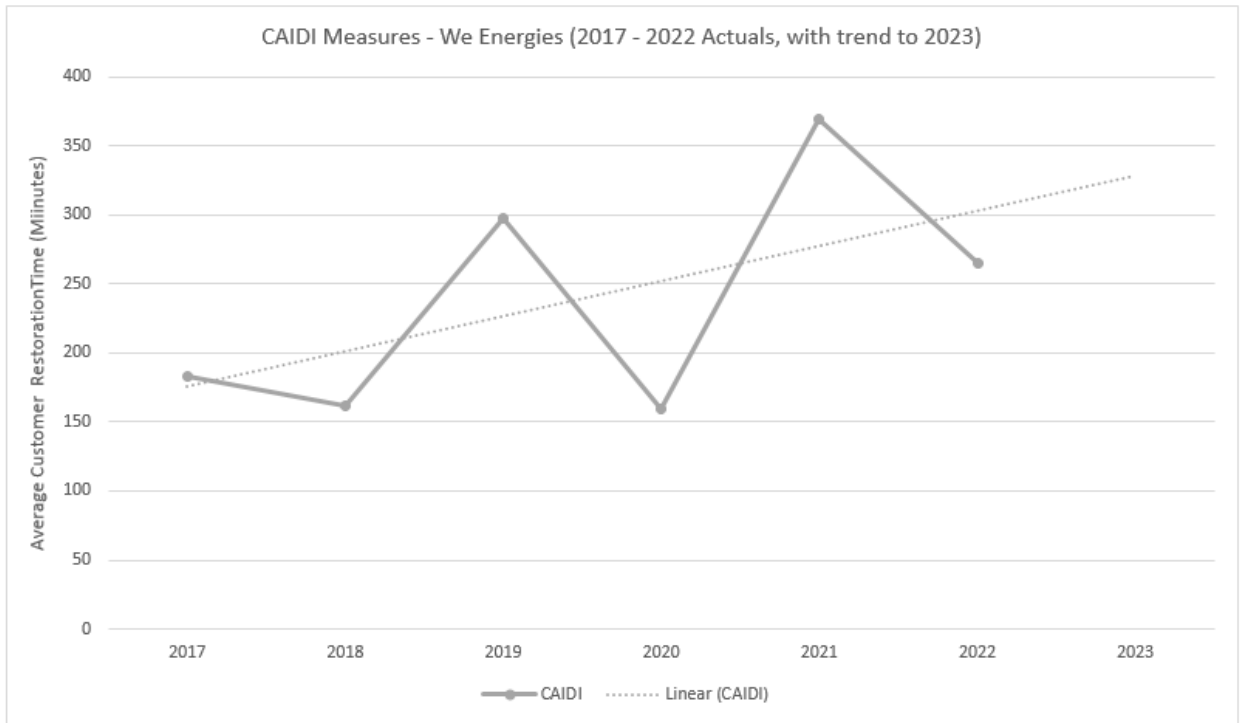
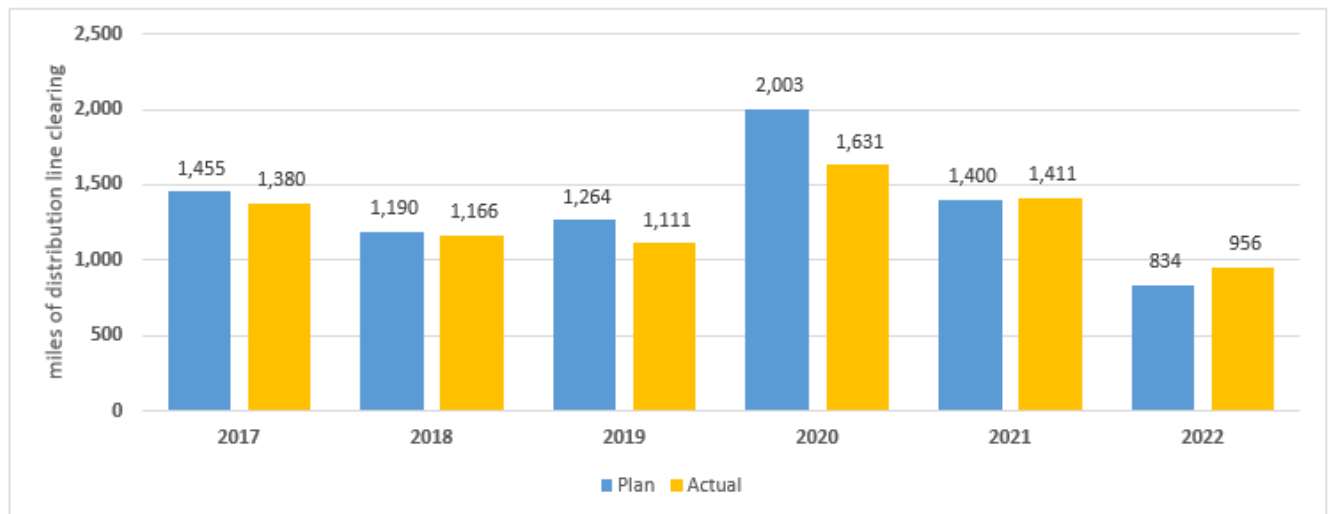


Figure 4: Wisconsin Electric CAIDI History (2017 – 2022) and Trend to 2023



Another complicating factor has been inflation, which has forced the Company to trim fewer miles over the past few years despite increasing its spending over what has been authorized by the Commission over that time. This is evident in Figure 5 below, which shows after peaking in 2020, trimming has declined in subsequent years.

Figure 5: Wisconsin Electric Forestry—Miles of Line Clearing—Planned vs. Actual 2017 - 2022



This information supports the appropriateness of Wisconsin Electric’s planned expansion of trimming zones on an accelerated basis and the associated deferrals included in this request.

Accounting Requests

Wisconsin Electric is requesting two specific authorizations from the Commission:

- To spend and defer an incremental amount up to \$25 million for expanded forestry activity in 2024. This amount is over and above the \$18.9 million the Company is authorized to recover in current rates.
- To defer for future recovery the storm restoration costs beyond the amount authorized for recovery in 2024 it incurs for the remainder of 2024.
- Wisconsin Electric further requests the Commission authorize carrying cost of the deferred amounts at the Company's short-term debt rate until its next rate case on each of these requested deferrals, which is appropriate because Wisconsin Electric will have to finance these costs between the time they are incurred until they are recovered in customer rates, as will be established by the Commission in the Company's next rate case, which will be filed by April 1 of this year.

Deferral Requirements

The requested deferrals satisfy the Commission's Staff February 23, 1995 Accounting Policy Team Statement of Position 94-01 ("SOP 94-01") for the reasons stated below.

1. The event is caused suddenly and by forces beyond the utility's control or reasonable foresight.

The Company can control what it actually spends on forestry work in any given year. However, the trends experienced over the past several years of more frequent and severe storms, including the one that we just experienced last month combined with a significant increase in dead ash trees are driving the Company's need to expand, on an accelerated basis, the scope of Wisconsin Electric's forestry activities to reduce the number, severity and duration of customer service outages. The more severe and widespread storm's damage is, the more time it takes to restore service to the impacted customers making it imperative that the Company be proactive and expand its tree trim zone, on an accelerated basis, to prevent as many of the outages as possible.

Both the rate of which ash trees have succumbed to the Emerald Ash Borer—many which are outside the Company's right of way and are falling onto the Company's distribution facilities—along with the frequency and intensity of severe storms, are outside the control of the Company. The combined impact of these independent factors on Wisconsin Electric's distribution facilities are not reasonably predictable.

The current amount of forestry expense authorized in the Company's rates is insufficient to get ahead of the two trends—increased storms and the Emerald Ash Borer—and without significantly accelerating forestry efforts Wisconsin Electric's customers are likely to continue to

experience more frequent, and longer duration, outages. To be clear, the \$25 million Wisconsin Electric is seeking to defer in this proceeding is a down payment for further enhanced forestry efforts, as the Company will seek approximately \$43 million in funding for forestry in its test year 2025 rate case.

2. The events causing the expenditures are unusual and infrequently recurring.

The frequency and intensity of severe storms in southeastern Wisconsin has been a relatively recent phenomenon and the most recent occurrences have caused the Company to reevaluate whether its current forestry practices are adequate in light of this “new normal.” Additionally, the relatively quick emergence of an invasive species that has turned millions of trees into hazards for the electric distribution system, is unusual and infrequently occurring.

Wisconsin Electric proposes to significantly increase its efforts starting in 2024 to respond to these unusual and frequently occurring events, satisfying this element of SOP 94-01.

3. The immediate recognition of the anticipated expenditures will cause the utility serious financial harm or significantly distort the current year’s income.

SOP 94-01 does not specifically define materiality for deferral purposes. The financial impact would be significant as Wisconsin Electric would incur a reduction in 2024 operating earnings reflected in retail rates of in excess of \$25 million plus financing costs and any 2024 storm restoration costs beyond the \$8.5 million authorized by the Commission for storm recovery in 2024, and the \$25 million in accelerated forestry activities it is proposing to undertake.

Absent authorization of this requested deferral, in total the Company would be harmed by more than \$25 million in 2024. Wisconsin Electric’s customers will be receiving benefits of fewer and less frequent service outages in the future and for those customers that do unfortunately still experience an outage, those outages will have a shorter duration because the Company’s crews will be able to restore service more quickly to those customers due to fewer outages requiring a response.

4. The immediate recognition of the expenditure causes significant retail customer impact.

Immediate recognition of the costs associated with the January severe storm restoration work and the expanded forestry work, on an accelerated basis, would result in a significant deviation from cost-causation based rates, which are the general standard for Wisconsin retail ratemaking.

For the reasons stated above, Wisconsin Electric believes that the unexpected financial harm that would otherwise result from the severe storm in January of this year and the Company’s proposal to implement and defer the costs related to the accelerated and expanded scope of forestry activities, meet the criteria for deferral treatment. Therefore, the Company respectfully requests that the Commission authorize the deferrals requested in this application.

Additionally, authorizing the proposed accelerated expansion of forestry activities will avoid

future severe storm restoration costs that the Company would otherwise incur. Such costs would likely include internal crew overtime, mutual aid costs, and external contractor crew costs, including travel, *per diem* and lodging expenses. As noted earlier, the cost to restore service in response to the severe winter storm that occurred January 12-14 of this year resulted in operations and maintenance costs of approximately \$9.5 million, which is the storm restoration budget for Wisconsin Electric for all of 2024.

Respectfully submitted this 22th day of February 2024.

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Electronically signed by
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