

BEFORE THE  
PUBLIC SERVICE COMMISSION OF WISCONSIN

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

Docket No. 5-UR-111

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**DIRECT TESTIMONY OF ROBERT R. STEPHENS**

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Public Service Commission of Wisconsin  
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1 **Q. Please state your name, business affiliation and address.**

2 A. My name is Robert R. Stephens. My business address is 16690 Swingley Ridge Road, Suite  
3 140 in Chesterfield, Missouri.

4 **Q. What is your occupation?**

5 A. I am a consultant in the field of public utility regulation and a Senior Principal with the  
6 firm of Brubaker & Associates, Inc. (“BAI”), energy, economic and regulatory consultants.

7 **Q. On whose behalf are you providing this testimony?**

8 A. I am testifying on behalf of Microsoft Corporation (“Microsoft”). Microsoft is currently  
9 constructing a datacenter campus in the Electronics and Information Technology  
10 Manufacturing Zone in the Village of Mount Pleasant, Racine County, Wisconsin (“EITM  
11 Zone”). The datacenter campus will receive electric service from Wisconsin Electric Power  
12 Company (“WEPCO” or the “Company”).

13 **Q. What is BAI?**

14 A. BAI provides consulting services in the field of energy procurement and public utility  
15 regulation to many clients, including large industrial and institutional customers, some  
16 utilities, and on occasion, state regulatory agencies. BAI’s portfolio of work includes

1 providing analysis of utility rate matters; energy procurement options based on  
2 consideration of prices and reliability as related to the needs of the client; preparing rate,  
3 feasibility, economic and cost of service studies related to energy and utility services;  
4 preparing depreciation and feasibility studies relating to utility service; providing expert  
5 witness analysis in utility rate cases; assisting in contract negotiations for utility services;  
6 and providing technical support to legislative activities.

7 **Q. Please describe your educational and professional background.**

8 A. An overview of my educational and professional experience is provided as Ex.-Microsoft-  
9 Stephens-1.

10 **Q. Have you previously testified before the Wisconsin Public Service Commission**  
11 **(“PSCW” or “Commission”) or other state utility regulatory commissions?**

12 A. Yes, I have previously testified before the Commission, most recently in PSCW docket no.  
13 3270-UR-125, Madison Gas and Electric Company’s application to adjust electric and  
14 natural gas rates for test year 2024. I have also testified before utility regulatory  
15 commissions in other states, including California, Florida, Illinois, Iowa, Maryland,  
16 Minnesota, New York, Texas, and Washington.

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

18 A. I will introduce Microsoft and its datacenter project in the Company’s service area, provide  
19 an overview of Microsoft’s policy positions related to decarbonization, and discuss cost-  
20 causation principles related to this rate case.

21 **Microsoft’s Datacenter Project & Commitments**

22 **Q. What is your understanding of Microsoft’s intervention in this rate case?**

1 A. Microsoft is currently building a multi-billion-dollar datacenter campus in the EITM Zone  
2 which is within WEPCO's service area. The datacenter campus is expected to begin  
3 receiving electric service during the 2025 test year, and Microsoft's electric load is  
4 expected to increase over time, including in the 2026 test year. A reliable and resilient  
5 energy supply is critical for Microsoft's datacenters and, in turn, also enables local and  
6 statewide economic development opportunities. Furthermore, Microsoft is committed to  
7 working toward a carbon-free energy future. Microsoft is not alone in such efforts as other  
8 companies, customers, and consumers are increasingly setting their own sustainability  
9 goals to consume renewable and other carbon-free energy. Specifically, Microsoft's  
10 decarbonization targets are: (1) by 2025, Microsoft will shift to 100 percent supply of  
11 renewable energy on an annual basis, meaning that it will have contracted for renewable  
12 energy to match 100 percent of carbon emitting electricity consumed by all of its data  
13 centers, buildings, and campuses within that year; and (2) by 2030, Microsoft will have  
14 100 percent of its electricity consumption, 100 percent of the time, matched hourly by  
15 carbon-free energy purchases. In seeking to achieve these commitments, Microsoft is one  
16 of the largest corporate purchasers of carbon-free energy, and I am advised that as of the  
17 end of Microsoft's 2023 Fiscal Year, Microsoft has contracted for over 19.8GW of new  
18 renewable energy capacity. At the same time, Microsoft understands that regulators like  
19 the Commission balance reliability, affordability, and decarbonization goals as they make  
20 decisions that shape the electric grid. With this in mind, the Commission's decisions in this  
21 matter are likely to impact Microsoft. Similarly, Microsoft's datacenter campus is  
22 anticipated to become the largest electric load served by WEPCO, making this an impactful

1 development for Southeastern Wisconsin, as well as for WEPCO, its customers and its  
2 shareholders.

3 **Q. Are you familiar with cost-causation principles in the regulated utility context?**

4 A. Yes. In short, this is the concept that the customer or customers that cause the cost of  
5 particular utility facilities should pay the cost for those facilities.

6 **Q. How do cost-causation principles relate to electric service to Microsoft's new  
7 datacenter?**

8 A. There are facilities that will need to be built or expanded on WEPCO's system in order to  
9 serve the new load at Microsoft's datacenter. Applying cost-causation principles, Microsoft  
10 should expect the costs attributable to such facilities to be assigned to Microsoft, so long  
11 as Microsoft is the only customer benefiting from those facilities. If there are facilities that  
12 Microsoft and other customers will benefit from, then Microsoft should expect that the  
13 costs attributable to such facilities will be assigned to Microsoft proportional to the costs  
14 attributable to Microsoft. Microsoft summarized this principle in its comments in PSCW  
15 docket no. 6630-AF-102, where it stated, in part, "Microsoft is committed to paying its  
16 own way for assets built to serve its datacenter campus."

17 **Q. How might Microsoft's commitment to carbon-free energy affect its electric service?**

18 A. As stated above and described in Ex.-Microsoft-Stephens-2, I understand that Microsoft  
19 has set forth industry leading carbon-free energy goals. These goals, combined with the  
20 scale and timeline of Microsoft's growth in Wisconsin, create a unique challenge. It will  
21 require innovation and cooperation from the Company, stakeholders, regulators and  
22 policymakers for Microsoft to develop the resources to meet its energy and capacity needs  
23 *and* its carbon-free energy goals.

1 **Q. Under what tariff will Microsoft take service?**

2 A. Microsoft is expected to initially take service under the Company's Cp-1 tariff. However,  
3 given the unique scale and nature of Microsoft's datacenter needs, Microsoft is partnering  
4 with WEPCO to develop a new tariff that will be proposed to the Commission for  
5 consideration. It is Microsoft's goal that the structure of the new tariff will 1) follow cost-  
6 causation principles; 2) maintain resource adequacy and grid reliability; and 3) help  
7 Microsoft achieve its carbon-free energy goals.

8 **Q. Can you describe the structure of the new tariff you anticipate proposing to the**  
9 **Commission?**

10 A. The tariff is still being developed, but elements include a cost-based administrative charge  
11 anticipated to cover increased administrative costs, demand charges based on Microsoft's  
12 annual forecasted load, market-based energy charges, a pass-through of American  
13 Transmission Company (ATC) and Midcontinent Independent System Operator (MISO)  
14 charges for transmission, distribution charges based on direct assignment of infrastructure  
15 built to serve Microsoft load, and other statutorily required taxes and charges. Microsoft  
16 and WEPCO are also exploring options in the tariff that would allow WEPCO to directly  
17 assign specific generation assets (or a portion thereof) to Microsoft, meaning Microsoft  
18 will pay for the costs associated with and receive the benefits of the directly-assigned assets  
19 or a specific portion thereof.

20 **Q. Can you clarify what benefits Microsoft may receive from the assets directly assigned**  
21 **to it?**

22 A. Yes, the benefits would likely include the value of energy sold into the market from the  
23 assets, which would be offset against energy purchased from the market to serve

1 Microsoft's load; the value of the accredited capacity and other ancillary services of the  
2 asset; and any environmental benefits generated by the asset.

3 **Q. How would the proposed tariff ensure resource adequacy and grid reliability?**

4 A. The proposed tariff would not impact WEPCO's ability to manage its fleet and control  
5 existing or future assets. Microsoft will provide WEPCO with regular anticipated load  
6 forecasts so the Company can optimize available options – existing fleet resources, the  
7 market, and new resources – to maintain reliability for all customers while serving  
8 Microsoft's load.

9 **Q. How will the proposed tariff help Microsoft meet its sustainability targets?**

10 A. As previously noted, the proposed tariff is expected to include an option for WEPCO to  
11 directly assign assets to Microsoft, including carbon-free generation assets.

12 **Q. What is the anticipated timeline for the new tariff?**

13 A. This new tariff is expected to be submitted to the Commission for consideration in the  
14 coming months. Microsoft hopes to be able to take service under this new tariff beginning  
15 in June 2025.

16 **Q. Does this conclude your pre-filed direct testimony?**

17 A. Yes, it does.