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Wisconsin State Senator, 2nd Senate District

STANDING COMMITTEES:
Natural Resources & Energy, Chair
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October 11th, 2024

Public Service Commission of Wisconsin
Comments on Docket 6690-UR-128
P.O. Box 7854
Madison, WI 53707-7854

Re: Senator Cowles' Comments on the Rate Case by Wisconsin Public Service

Commissioners and Staff,

Two years ago, I testified and submitted comments to the Public Service Commission of Wisconsin (PSC) asking for a more thorough review of the rates cases submitted by the Wisconsin Public Service Corporation (WPS) and We Energies, a better public information and engagement process, and a stern rejection of the proposed excesses of the WEC Energy Group. While the final decision did make marginal improvements from the proposals submitted by these utilities, an outright rejection of the cycle of punishing consumers in monopolistic markets was not reached. This leads us to today, where another rate increase is being proposed by WPS that appears to largely be proposed not because it is needed, but instead just because they can. It's my belief that if the PSC does truly consider and value ratepayer interests, then the PSC must push back against this outlandish proposal.

For these comments, I want to focus on a few specific issues with WPS's operations and proposal. First I want to discuss reliability, one of the three "Key Priorities" cited in WPS's rate increase bill insert. For more than two decades, reliability has been one of the focal points used by Wisconsin utilities when seeking a new CA, CPCN, or rate hike. While Wisconsin does contend with occasional tornadoes, straight line winds, and winter storms, we're generally in a good location for reliability. We don't have to contend with the hurricanes of the Southeast, the frequent and destructive tornadoes of the Great Plains, the massive wildfires of the West, or the continuous dry desert heat of the Southwest. So why don't our reliability metrics bear this out?

Comparing the PSC's Draft Strategic Energy Assessment 2030 (SEA), Figure 1-3, with the Energy Information Administration's Annual Electric Power Industry Report, Table 11.1, Wisconsin's CAIDI and SAIFI barley outcompete the averages of the U.S. Distribution System. While this data represents 2022, 2021 was even worse for WPS, with the average customer experiencing 1.4 outages, with those outages lasting an average of more than six and a half hours. Aggregate data from the SEA shows that through more than 20 years of massive expenditures, we've only made marginal improvements in SAIFI, and have actually regressed in SAIDI and CAIDI.

Recently, the Public Service Commission in our neighboring state of Michigan received the results of an independent audit of DTE Electric and Consumers Energy following concerns with these utilities' outage prevention and restoration. Prior to approving any new outage prevention or restoration efforts, I would encourage the PSC to follow Michigan's steps and approve an audit or evaluation of WPS's reliability efforts. While I understand that preventing and reacting to outages is an expensive effort, we have little to nothing to show from the hundreds of millions of dollars spent thus far. Before even more is spent on this effort, we must take a closer look at how all previous funding has been spent, and ensure stronger oversight moving forward.

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Looking at the second and third points in WPS's "Key Priorities" outlined in their bill insert, the changing generation makeup certainly continues to be a large component of rate proposals from all utilities. Let me be clear: I strongly support a more diversified and clean energy generation mix, and would not discourage progress from continuing the clean energy buildout. However, moving to clean energy is not without its costs. First, I would encourage the PSC to reject utilizing a full return on equity (ROE) from any build and transfer agreements where WPS purchases a generation facility built to completion solely by an independent power producer. ROE is a measure that traditionally accounts for risk and encourages future capital investment. When a fully-functional facility is purchased by WPS or any other utility from an IPP, their risk is substantially lower than constructing the generation asset themselves. Their ROE should account for the lower risk, and thus provide a lower return.

Additionally, when facilities are shuttered prior to their full lifespan, the remaining cost of the asset of should be securitized or, alternatively, ROE should be completely denied by the PSC. According to the PSC's website, your mission is to ensure "safe, reliable, affordable, and environmentally responsible utility services." When a facility is shuttered early, such as Columbia power plant, that facility is no longer of service to customers. While certain closure costs could reasonably be covered by customers as the facility was once an asset, recovering the full remaining asset value plus shareholder return is inherently unfair to customers who are no longer the beneficiaries.

On the topic of ROE, I would strongly encourage the PSC to not only deny WPS's request to increase their ROE, but would encourage the PSC to accept the request of the Citizens Utility Board (CUB) and lower the ROE to 9.3%. Wisconsin utilities do not face unique challenges that justify a ROE higher than the national average. In fact, for the aforementioned reasons related to reliability, I would argue that Wisconsin utilities are adequately suited to have less risk than utilities in many other states. As households and businesses throughout WPS's service territory are still reeling from the economic impacts of the pandemic and inflation, the request to raise the ROE is grossly out of touch with the reality of Wisconsinites' budgets. The PSC is responsible for balancing shareholder and customer interests, and there is no reason that a drop in ROE to be more consistent with the national average would not remain an appropriate balance between these competing interests.

To strike a more appropriate balance between shareholder and customer interests, I would further encourage the PSC to accept CUB's request to require that any and all bonuses paid to WPS employees come from the shareholders, not customers. WPS customers already pay large amounts annually to their utilities not for the customer service representatives that answer our calls, and not for the linemen and women who restore our power after a storm, but for C-Suite executives, many of whom spend their days planning how to further increase expenditures and revenues that will continue hurting Wisconsinites for decades to come. While I understand the financial motive to reward their efforts, these bonuses are solely in the shareholder's interest from a business perspective, not in the ratepayer's interest from the regulated utility service perspective.

Finally, I also believe it is not in the customers' interest to pay industry association dues. In the 2018 WPS rate case, Docket 6690-UR-126, the PSC allowed partial or full recovery of association dues for 13 different entities. While the Commission decision states that recovery is only allowed to the extent that the activities of an association provide a benefit to customers, I would argue that the activities of some of these associations are too intertwined to allow any recovery. Entities such as the Municipal Electric Utilities of Wisconsin and Wisconsin Utilities Association spend significant time and resources lobbying the State Legislature on initiatives such as the Right of First Refusal, a policy which the Federal Energy Regulatory Commission has rejected, and which the U.S. Department of Justice and Federal Trade Commission argue would increase rates for customers.

When WPS and other Wisconsin utilities were too timid to make public arguments against my Utility Sunshine package, a set of bills to help customers level the playing field, they sent the Wisconsin Utilities Association to argue against customer interests before the Legislature in their place. Other association memberships, such as the Edison Electric Institute, utilize their time and resources to sponsor events where they conduct informal lobbying with entities such as the National Association of State Regulatory Utility Commissioners and the National

Conference of State Legislators, spreading pro-utility messaging to the attendees. While I cannot speak for the activities of every association, I do believe that there are too many bad examples of customers paying to have their own interests lobbied against. Association dues should be a shareholder expense.

In closing, Wisconsinites are struggling to make ends meet. Inflation continues to hurt households and businesses throughout the state. But even worse than inflationary pressures is WPS, which is looking to exceed inflation with unjustified rate increases. According to CUB, including the rate increases approved in 2022, a typical WPS customer would be paying 29% more in January 2026 than in December 2022, were these increases to be approved. That's $400 more per year for every typical customer. Just with the increase in rates that has been approved and is being proposed, that's more than many households spend on groceries in a month. Pressures on Wisconsin businesses, particularly large industrial energy users, are also extensive. As manufacturers make decisions on where to keep, expand, or place new facilities, Wisconsin's already high energy costs factor into their decisions. Even higher energy costs could mean missed opportunities to retain or recruit employers.

As a state Senator representing portions of the service territory of WPS, I would encourage the PSC to either amend the proposal with the suggestions above and further trim as other interveners and commenters have suggested, or outright send WPS back to the drawing board for a more reasonable proposal.

Sincerely,

Senator Robert Cowles
2nd Senate District