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March 31, 2025

Mr. Cru Stublely  
 Secretary to the Commission  
 Public Service Commission of Wisconsin  
 P.O. Box 7854  
 Madison, WI 53707-7854

Dear Mr. Stublely:

Wisconsin Electric Power Company (“Wisconsin Electric”) requests approval, pursuant to Wis. Stat. §§196.19 and 196.192, to implement the Very Large Customer (“VLC”) Tariff and the Bespoke Resources Tariff and the respective Service Agreement and Resource Agreement form agreements, which are submitted with this application, within its service territory for new load that will be added by new, large customers. Additionally, Wisconsin Electric requests that a new docket be opened for these proposed tariffs and that docket be entitled “Application of Wisconsin Electric Power Company for Approval of its Very Large Customer and Bespoke Resources Tariffs” and to provide an approval by December 31, 2025.

Substantial economic development and investment is being made in southeastern Wisconsin, including by large data center customers.<sup>1</sup> As a result of these investments, electric demand in Wisconsin Electric’s service territory is expected to grow dramatically. To serve these new, large customers (“Eligible Customers”) and ensure fairness for our existing customers, Wisconsin Electric has developed a unique tariff approach consisting of two interconnected tariffs: the Very Large Customer (“VLC”) Tariff and the Bespoke Resources Tariff.<sup>2</sup> These two tariffs work hand-in-hand— both tariffs are necessary because an Eligible

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<sup>1</sup> See *Microsoft announces \$3.3 billion investment in Wisconsin to spur artificial intelligence innovation and economic growth* (May 8, 2024), <https://news.microsoft.com/2024/05/08/microsoft-announces-3-3-billion-investment-in-wisconsin-to-spur-artificial-intelligence-innovation-and-economic-growth/> (“Microsoft Press Release”); Nick Rommel, *Large data center may be coming to Port Washington, Wisconsin*, WISCONSIN PUBLIC RADIO (Jan. 10, 2025), <https://www.wpr.org/news/data-center-port-washington-cloverleaf-infrastructure>; see also Niva Yadav, *Data center development proposed in Kenosha, Wisconsin*, DATA CENTER DYNAMICS, (Nov. 18, 2024), <https://www.datacenterdynamics.com/en/news/data-center-development-proposed-in-kenosha-wisconsin/>.

<sup>2</sup> A “Bespoke Resource” is defined as a resource, or portion of a resource, dedicated to a participating customer which is owned, operated, and maintained by Wisconsin Electric, and the participating Customer is not an equity partner. Bespoke Resources include generation facilities, storage facilities, and other resources owned and maintained by Wisconsin Electric. Unless otherwise defined in this application, capitalized terms should be understood to be as defined in the VLC and Bespoke Resources Tariffs.

Customer must subscribe to a Bespoke Resource as a condition of service, linking the two tariffs together.<sup>3</sup>

This proposed tariff structure is fully consistent with Wis. Stat. § 196.192(2), because the tariffs protect both Wisconsin Electric’s current customers and shareholders from harm. In fact, these tariffs extend benefits and protections to non-participating customers, including but not limited to:

- Preventing costs related to serving Eligible Customers from being shifted to non-participating customers;
- Gross Receipts Tax collections, which fund shared revenue payments to municipalities that host new generation resources, will increase;
- All customers—including non-participating customers—will benefit from a more diversified, reliable generation fleet that reflect our “all of the above” approach;
- Non-participating customers are protected if a new generation project is not approved by the Commission or is cancelled by an Eligible Customer after Commission approval;
- Eligible Customers will help pay down balances related to the existing environmental trust bonds<sup>4</sup>; and,
- Eligible Customers will pay their appropriate share of the costs for new generation resources through the terms of each service agreement.

### **Tariff Objectives**

In tandem, the two proposed tariffs meet four key policy objectives. First, these tariffs respond to the needs of Eligible Customers making new and substantial investments in Wisconsin. Eligible Customers, currently data center operators, prioritize speed to market, reliability, and cost. Wisconsin Electric has developed an accelerated generation planning

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<sup>3</sup> This Application also seeks approval of Service Agreements for each new tariff, which are fully consistent with the terms of the tariffs.

<sup>4</sup> These costs are recovered through the Environmental Control Charge (“ECC”) (Sheet 20.2 within Wisconsin Electric’s Rate Book). As part of this filing, the ECC tariff is also being amended to add the VLC Tariff to the list of Rate Schedules to which the ECC applies. Using the currently authorized ECC rate for large industrial customers, a 1,000 MW customer would contribute \$200,000 per month toward the costs of servicing the Securitization Bonds.

approach under which the company secures long lead time equipment, subject to recovery from the Eligible Customer if a project does not move forward, to lock in pricing, shorten construction timelines, and ensure reliable electric supply to the Eligible Customers. Wisconsin Electric's proposed tariffs meet the objectives of Eligible Customers while protecting current customers.

Second, the tariffs protect the utility's other customers from cross-subsidies. Eligible Customers will be contractually obligated under the Bespoke Resources Tariff to pay their share of costs, including the cost of resources dedicated to serve that Eligible Customer ("Bespoke Resources"). Although Eligible Customers will pay for their share of generation facility costs to which they subscribe, both new customers and Wisconsin Electric's existing customers benefit from a more diversified and reliable generation portfolio. A significant safeguard in the proposed tariff are provisions that provide that an Eligible Customer enters a service agreement pursuant to these tariffs. Prior to Commission approval of the tariffs and associated Service and Resources Agreement templates, Wisconsin Electric will require them to enter a Payment and Cancellation Agreement ("PCA"). PCAs require the Eligible Customer to reimburse Wisconsin Electric for all costs associated with any Bespoke Resources requested by the customer until the Eligible Customer executes the service agreement under the Bespoke Resources Tariff. Reimbursement is also required if the Eligible Customer terminates the agreement, reduces its anticipated load, or regulatory approval is not received for the construction of the Bespoke Resource. Through these PCAs, Wisconsin Electric, its shareholders, and other customers are insulated from the incremental costs required to ensure timely service for Eligible Customers.

Third, the tariffs protect Wisconsin Electric's financial health, which benefits both shareholders and Wisconsin Electric's current customers. Wisconsin Electric will receive a fair return on Bespoke Resource investments and can build required facilities without shifting costs to shareholders. Similarly, non-participating customers receive protections under the Service Agreements, Resource Agreements and PCAs that insulate customers from costs in the event of cancellation, Commission decisions, or Eligible Customers leaving the service territory.

Fourth and finally, these tariffs will facilitate substantial investment in Wisconsin, paving the way for economic development and job growth. To take one example, in May of 2024, Microsoft announced a \$3.3 billion investment package to establish Southeastern

Wisconsin as an artificial intelligence hub.<sup>5</sup> Microsoft's investment is expected to bring 2,300 union construction jobs as well as other long-term employment opportunities once the data center is operational.<sup>6</sup> A second example, Cloverleaf Infrastructure ("Cloverleaf") is planning the development of approximately 2,000 acres with an investment of at least \$1 billion for a data center campus in Port Washington, Wisconsin<sup>7</sup>. These tariffs will support the Microsoft and Cloverleaf investments, as well as those by other Eligible Customers, and support economic development and job growth in Wisconsin.

Wisconsin Electric and multiple new Eligible Customers negotiated to meet these objectives and reach agreement on the final form of the tariffs and Service Agreement and Resource Agreement templates presented with this application. Specifically, pursuant to terms of PCAs with new Eligible Customers, all current parties to PCAs have agreed to and support the final form of the VLC Tariff and Bespoke Resources Tariffs and the associated service and resource agreements, prior to this application by Wisconsin Electric.

### **VLC Tariff**

To be eligible for the VLC Tariff, a customer must meet the following six criteria:

- take service from Wisconsin Electric in Wisconsin;
- be otherwise eligible for service under Wisconsin Electric's standard Cp 1 tariff;
- provide a forecast including all projected load that the customer wishes to have served as firm load;
- have an aggregate load forecast of 500 MW or greater of new electric load;
- take service at a minimum of 24.9 kV; and
- execute at least one PCA or Service Agreement to reliably serve the Eligible Customer's peak load with firm resources, including at least one Bespoke Resource.

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<sup>5</sup> See, *Microsoft announces \$3.3 billion investment in Wisconsin to spur artificial intelligence innovation and economic growth*, MICROSOFT SOURCE (May 8, 2024), <https://news.microsoft.com/2024/05/08/microsoft-announces-3-3-billion-investment-in-wisconsin-to-spur-artificial-intelligence-innovation-and-economic-growth/>.

<sup>6</sup> *Id.*

<sup>7</sup> See, *Campus would cost billions, use more than a gigawatt of power, cover as many as 2,000 acres of town land annexed into city*, *Cloverleaf*<sup>Source</sup> (January 7, 2025), [Massive data center complex planned for Port - Cloverleaf Infrastructure](#).

There are two means of covering initial capacity needs of the Eligible Customer while Bespoke Resources are being added. To the extent Wisconsin Electric has available capacity after meeting non-participating customers' capacity needs, initial demand from a VLC will be billed at the Cp 1 Capacity Rate. Or, if Wisconsin Electric does not currently have capacity, Wisconsin Electric will acquire appropriate credits through MISO's Planning Resource Auction ("PRA"), which would be billed as a direct pass-through to the VLC. Other charges include pass-throughs of the Gross Receipts Tax, Act 141 obligations to fund Focus on Energy,<sup>8</sup> and Environmental Control Charges ("ECCs").<sup>9,10</sup>

Customers eligible for the VLC Tariff will enter a Service Agreement with a ten-year term. After the initial ten-year term, the agreement will automatically renew for one-year terms, unless the Customer provides a one-year written cancellation notice no later than the first day of the MISO Planning Year. In the event of early termination, unless Wisconsin Electric is able to repurpose the resources and the Commission approves such repurposing, the Eligible Customer shall be billed for any remaining undepreciated book balance of the dedicated distribution assets and must pay for certain pass-through charge or may continue to receive certain credits, including for transmission service, as more specified in the VLC Tariff.

The proposed tariff structure has nine billing determinants. The first is an administrative charge, which includes a fixed cost of \$213,118 per billing period plus the variable cost of \$305 per megawatt of Maximum Customer Demand per billing period. This monthly administrative charge covers the full personnel and overhead costs dedicated to serving any new VLC. These costs are in 2025 dollars and will escalate annually in January based on the Consumer Price Index for the preceding calendar year.

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<sup>8</sup> By passing through Act 141 obligations to fund Focus on Energy, the VLC Tariff will increase overall funding for Focus on Energy proportional to the new load from Eligible Customers.

<sup>9</sup> As the Commission ordered in Docket 6630-ET-101, and consistent with Wis. Stat. § 196.027, ECCs are non-by-passable and collectible from existing or future retail customers. *Financing Order*, Docket 6630-ET-101 (Nov. 17, 2020) (PSC REF#: 400098). As provided for in the Financing Order, Wisconsin Electric will make true-up adjustment filings to reflect Environmental Control Charges paid by new Eligible Customers. *Id.* at 64-65.

<sup>10</sup> A copy of the proposed redline Environmental Control Charge rate schedule has also been attached this application.

Second, the Energy and Operating Reserves Market Charge will pass through costs billed by MISO to the Eligible Customer's dedicated pricing node.<sup>11</sup> This includes point of withdrawal, Day-Ahead LMP, and Real-Time LMP imbalance costs. At a high level, this charge passes through wholesale market energy and related costs to serve an Eligible Customer.

Third, the Transmission Service Charge will consist of costs included in Wisconsin Electric's invoices from MISO and ATC in accordance with the applicable MISO and ATC tariffs. Like energy costs, this category of costs is intended to directly pass through costs related to transmission necessary to serve any VLC.

Fourth, the Distribution Service Charge is a direct assignment of costs for the dedicated distribution facilities and substation equipment used to serve an Eligible Customer. These costs will include the depreciation expense, return on undepreciated book value of the facilities, and Wisconsin Electric's standard operations and maintenance costs.

Fifth, Firm Service Charges will apply when an Eligible Customer is ramping up its load and Bespoke Resources are under construction and there is a short-term need for firm capacity. Depending on Wisconsin Electric's overall capacity position the Eligible Customer will be billed these charges in one of two ways. In the event that Wisconsin Electric has available capacity, after meeting non-participating customers' capacity needs, the Fleet Firm Service Charge will be billed and will allow Wisconsin Electric to recover costs associated with its generation fleet. This is calculated by multiplying the Fleet Service Volume by the Fleet Firm Service Rate. In the alternative, to the extent that Wisconsin Electric does not have available capacity the Eligible Customer will be billed the Market Firm Service Charge. The Firm Service Charge allows Wisconsin Electric to recover costs associated with securing seasonal capacity from the MISO PRA. This is calculated by multiplying the Market Firm Service Volume by the Market Firm Service Rate.

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<sup>11</sup> The energy market charge costs will include the following, subject to change in the event of changes in applicable MISO tariffs: Day Ahead Asset Energy, Real-Time Asset Energy, Regulation Cost Distribution Amount, Spinning Reserves Cost Distribution Amount, Supplemental Cost Distribution Amount, Revenue Sufficiency Guarantee Distribution Amount, Revenue Sufficiency Guarantee 1st Pass Distribution Amount, Schedule 17 Market Administration Amount, Schedule 24 Allocation Amount, Revenue Neutrality Uplift Amount, Distribution of Losses Amount, Miscellaneous Amount, Net Inadvertent Distribution Amount, Demand Response Uplift, Short Term Reserve Cost Distribution Amount, and Schedule 49 Real-Time Cost Distribution Amount.

Sixth, the Excess Capacity Credit applies if the capacity accreditation of an Eligible Customer's Bespoke Resource subscriptions exceeds that customer's firm capacity needs. If that occurs, the excess capacity will be sold into the PRA and any revenue will be returned to the Eligible Customer.

Seventh, an Eligible Customer will be responsible for Miscellaneous Service Charges that includes other credits or charges authorized or mandated by the Commission proportional to the Eligible Customer's demand and energy consumption including, where applicable, Gross Receipts Tax applicable to the VLC's total bill, Act 141 obligations, or other charges that may apply.

Eighth, Eligible Customers are responsible for their proportional share of Wisconsin Electric's ECCs.<sup>12</sup>

And ninth, the Eligible Customer will be subject to a Minimum Monthly Charge.<sup>13</sup>

In addition to the nine billing determinants summarized above, if Metered Peak Demand exceeds Bespoke Resource Firm Service Volume (*i.e.*, the VLC's estimate of its peak demand) by more than 100 MW during each of the previous 36 billing periods, an Insufficient Capacity Charge will be applied. This charge is equal to the difference between the VLC charges and the charges that the load would have been charged for energy and demand under the Cp 1 Tariff. As the MISO Market Participant and Local Balancing Authority, Wisconsin Electric is responsible for reliably serving demand in its entire service territory. Accordingly, in the event that FERC or any other reliability or planning entity issues penalties, due solely to the Eligible Customer's substantial misrepresentation of its load forecast or the characteristics of its load, such penalties will be passed through to the Eligible Customer via a Misrepresentation of Load Charge.

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<sup>12</sup> As noted above, Environmental Control Charges are subject to the Commission's ongoing supervision pursuant to its Financing Order in Docket 6630-ET-101.

<sup>13</sup> As detailed in the VLC Tariff, the minimum monthly charge will be the sum of the following: (1) administrative charges; (2) Energy and Operating Reserves Market Charge; (3) Transmission Charges; (4) Firm Services Charges; (5) Distribution Service Charge; (6) Miscellaneous Service Charges; (7) Misrepresentation of Load Charge; and (8) Environmental Control Charge.

Finally, the standard Conditions of Delivery that apply to Wisconsin Electric's other tariffs would apply to the VLC Tariff.

### **Bespoke Resources Tariff**

To be eligible for the Bespoke Resources Tariff, a participating Eligible Customer must take service under Wisconsin Electric's proposed VLC Tariff and subscribe to at least one generation resource—which we describe as either a Capacity-Only or Full-Benefits Bespoke Resource located in MISO Zone 2 (which comprises the eastern half of Wisconsin and the Upper Peninsula of Michigan). Similar to the VLC Tariff, the participating Eligible Customer will be required to enter into an agreement (defined as a "Resource Agreement" under the tariff).

A Full-Benefits Bespoke Resource is defined by the Bespoke Resources Tariff as a resource for which an Eligible Customer subscribes to all attributes for the portion of the resource and pays the corresponding prorated portion of all costs, including fuel costs, equivalent to the subscribed portion of that Bespoke Resource. In addition to paying the proportionate portion of the full revenue requirement, an Eligible Customer subscribed to a Full-Benefits Bespoke Resource will receive a prorated portion of all attributes of that resource as identified in the proposed Bespoke Resources Tariff. Non-participating customers are completely insulated, meaning that they have no costs and receive no direct monetary benefits from the portion of the resource subscribed to by an Eligible Customer. Nevertheless, all customers benefit from Wisconsin Electric's investments in a clean and reliable generation portfolio and enlarged and diversified capacity and energy markets for MISO Zone 2. Even Full-Benefits Bespoke Resources will generate energy used by Wisconsin Electric's existing customers, and larger and more diversified capacity and energy markets will provide greater reliability and resiliency to all customers.

Conversely, a Capacity-Only Bespoke Resource is a resource for which a participating Eligible Customer subscribes only to the capacity-related benefits (principally Zonal Resource Credits) associated with the portion of the resource subscribed to by that customer. The remaining attributes, most importantly revenues from the sale of electricity in the wholesale markets, are retained by Wisconsin Electric for the benefit of its non-participating customers. Under this approach, the participating Eligible Customer will pay 75% of the Bespoke Resource's costs, prorated to reflect the share of costs allocated to that customer as a



Bespoke Resource. Non-participating customers will pay 25% of the revenue requirement<sup>14</sup> plus 100% of fuel costs. Like a Full-Benefits Bespoke Resource, current customers benefit from a more resilient and reliable generation portfolio and also directly benefit from the energy margin of the Capacity-Only Bespoke Resource.

Resource Agreements under the Bespoke Resources Tariff will be effective for the depreciable life of the resource, except for wind or solar resources which will have a term of 20 years or more. In the event of early termination, unless Wisconsin Electric is able to repurpose the resources and the Commission approves such repurposing, the Eligible Customer shall be billed for any remaining undepreciated book balance of Bespoke Resources, as more specified in the Bespoke Resources Tariff. A Resource Agreement will only be reopened on a limited basis. Specifically, ten years after the effective date of the Resource Agreement, and on a five-year recurring basis thereafter, the following material terms may be amended by mutual agreement of the Eligible Customer and Wisconsin Electric, subject to Commission approval:

- Changes in the portion of a resource that is a Bespoke Resource;
- For Capacity-Only Resources, changes in the percentage of undepreciated capital costs of Bespoke Resources allocated as Capacity Costs; and
- For Capacity-Only Resources, conversion of a generating resource from Capacity-Only Bespoke Resources to Full-Benefits Bespoke Resource.

The financial terms<sup>15</sup> for the Bespoke Resources Tariff are calculated<sup>16</sup> for each Resource as of the Resource Agreement effective date and remain in place for the duration of the agreement, subject only to adjustment for change of tax law<sup>17</sup>. Under the Bespoke

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<sup>14</sup> The cost of a Bespoke Resource is defined to include depreciation; return on undepreciated rate base (using agreed-upon Bespoke Resources Carry Cost); operations and maintenance costs (updated annually); ongoing capital expenditures; and, for Full-Benefits Bespoke Resources only, fuel.

<sup>15</sup> This does not include variable costs associated with operating the Bespoke Resources, which are updated more frequently to pass through costs for the Bespoke Resource.

<sup>16</sup> Financial terms include the following: 10.48% return on equity; 10-day average Bloomberg Long-Term Debt Index cost of debt; 57% equity capitalization; 43% debt capitalization; and 27.41% effective tax rate.

<sup>17</sup> Any change to the Financial terms agreed to by the Eligible Customer and Wisconsin Electric, if approved by the Commission, would only apply any Resource Agreements executed after such a change is approved by the Commission.

Resources Tariff participating customers will be charged one of two monthly subscription fees depending on whether a Bespoke Resource is under construction or in service.<sup>18</sup>

The Progress Payment Subscription Fee will not apply if a subscribed facility has already reached commercial operation or the customer elected, when the Resource Agreement was signed, to pay financing costs related to construction by accruing AFUDC on CWIP – it will not apply if an Eligible Customer elects to pay the financing costs related to construction through a current return on CWIP. The Progress Payment Subscription Fee is a monthly progress payment calculated from the share of the resource subscribed to by the Eligible Customer, the Monthly Construction Work In Progress<sup>19</sup> balance multiplied by the Bespoke Resources Carrying Cost.<sup>20</sup>

Once the Bespoke Resource reaches commercial operation and through the duration of the Resource Agreement, the participating customer will be charged a monthly Commercial Operation Subscription Fee. The Commercial Operation Subscription Fee is comprised of several components,<sup>21</sup> which collectively ensure that the full revenue requirement for the Bespoke Resource is paid for by the new Eligible Customer and not subsidized by Wisconsin Electric's other customers or shareholders, for the attributes received by the Eligible Customer.

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<sup>18</sup> A customer enrolled in the Bespoke Resources Tariff will also be responsible for all rates, adjustments, and credits specified in the VLC Tariff based on their actual consumption during the billing period.

<sup>19</sup> Construction Work In Progress ("CWIP") is defined as "The accumulated costs expended to construct the Bespoke Resource prior to achievement of commercial operation, including the costs to finance the construction by way of Allowance for Funds Used During Construction ('AFUDC')."

<sup>20</sup> The Bespoke Resources Carrying Cost is based on the following inputs: Return on Equity: 10.48%; Debt Costs: Sourced from the Bloomberg US Utilities A+, A, A- BVAL Yield Curve (BVAL – BVSC0045) for 30-year duration debt securities, the Debt Cost will be a fixed-rate equal to the average 30-year yield for the 10 business days prior to the effective date of the Bespoke Resources Energy Service Agreement; Equity Portion of Capital Structure: 57.0%; Debt Portion of Capital Structure: 43.0 %; and Effective Blended State and Federal Tax Rate: 27.41%.

<sup>21</sup> The Commercial Operation Subscription Fee includes: depreciation of the facility calculated using the full economic useful life (in years) of the Bespoke Resource; return on undepreciated book balance of the subscribed facility at the Bespoke Resources Carrying Cost, net of any Investment Tax Credits received by the Wisconsin Electric associated with the construction of the Bespoke Resource; O&M Costs including annually updated Operations and Maintenance Costs throughout the term of the Service Agreement; ongoing capital expenditures for the Bespoke Resource including annually updated capital expenditures costs throughout the term of the Service Agreement; and, monitored Fuel Costs, (Full-Benefits Bespoke Resources only).

Lastly, if the Eligible Customer terminates service under the Bespoke Resources Tariff prior to the end of Resource Agreement's term, the Eligible Customer continues to be responsible for certain pass-through charges or receive credits as detailed in the Bespoke Resources Tariff.

### **Conclusion**

Southeastern Wisconsin has become a hot spot for data center growth in our state. Wisconsin Electric's proposed tariffs will meet the needs of new large customers and support economic development and job growth, while protecting and benefiting current customers. We look forward to the Commission's timely review and approval of the VLC and Bespoke Resources Tariffs and respectfully request approval by December 31, 2025.

Please contact Rich Stasik at richard.stasik@wecenergygroup.com or (414) 221-3685 if you have any questions.

Respectfully submitted,



Robert M. Garvin  
Executive Vice President – External Affairs  
WEC Energy Group  
Wisconsin Electric Power Company

### Enclosures:

- Attachment A: Very Large Customer (VLC) Tariff
- Attachment B: VLC Service Agreement Template
- Attachment C: Bespoke Resources Tariff
- Attachment D: Full-Benefits Bespoke Resources Agreement Template
- Attachment E: Full-Benefits Bespoke Resources Agreement Template
- Attachment F: Proposed redline of Environmental Control Charge Rate Schedule