

BEFORE THE  
PUBLIC SERVICE COMMISSION OF WISCONSIN

**Application of Wisconsin Power and Light  
Company For Authority to Change Electric  
and Natural Gas Rates for 2017 and 2018  
Test Years**

Docket No. 6680-UR-120

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**DIRECT TESTIMONY OF MICHAEL J. VICKERMAN**

**ON BEHALF OF RENEW WISCONSIN**

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

A. My name is Michael J. Vickerman. I am the Program and Policy Director of RENEW Wisconsin (RENEW). RENEW is a membership organization founded in 1991 that leads and accelerates the transformation to Wisconsin’s renewable energy future through advocacy, education, and collaboration. RENEW is located at 222 S. Hamilton St., Madison WI 53703.

**Q. Please describe your professional qualifications.**

A. Under my direction RENEW has advocated, and mobilized political support for, several pro-renewable policies adopted in the last 17 years, including the adoption in 2009 of uniform permitting standards for wind projects (SB 185) as well as the establishment in 1999 of Wisconsin’s Renewable Portfolio Standard and a public benefits fund dedicated in part to renewable energy sources. I have been involved with many issues relating to renewable electricity, ranging from broad policy

1 mandates and customer-driven green pricing programs to such technical issues as  
2 renewable energy credit trading and wind power permitting ordinances. I was  
3 RENEW's representative on the statewide Task Force on Energy Efficiency and  
4 Renewables, which Governor Doyle convened in September 2003, and served as  
5 co-chair of the Renewables Workgroup. In that capacity I developed and  
6 negotiated several renewable energy policy recommendations for consideration by  
7 the full Task Force. These were: (1) a successor Renewable Portfolio Standard  
8 (RPS) that would result in a 10% renewable energy content by 2015 and (2) a  
9 State of Wisconsin commitment to source 20% of the electricity it uses from  
10 renewable energy sources. Both recommendations were included in a consensus  
11 package of proposed policy changes that were subsequently incorporated into a  
12 bill (SB 459) that passed the Legislature and was signed into law in March 2006  
13 (2005 Act 141)

14 RENEW Wisconsin also spearheaded the Wind for Wisconsin coalition,  
15 whose campaign to establish uniform siting standards for wind energy systems  
16 resulted in the passage of 2009 Act 40. I am a member of the Wind Siting  
17 Council, a stakeholder body convened by the Public Service Commission  
18 ("PSCW") to provide input and advice to the agency in shaping a statewide wind  
19 siting rule as required under 2009 Act 40.

20 I have testified in numerous Commission proceedings over the  
21 previous 10 years, including We Energies' applications to build its Blue Sky  
22 Green Field wind energy installation (6630-CE-294), its Glacier Hills wind  
23 energy installation (6630-CE-302), and its Rothschild Biomass generation

1 installation (6630-CE-305); Northern States Power-Wisconsin's application to  
2 convert its Bay Front 5 generator into a dedicated biomass unit (4220-CE-169);  
3 Wisconsin Power & Light's application to build the Nelson Dewey 3 coal-fired  
4 power station (6680-CE-170) and its Cedar Ridge wind energy installation (6680-  
5 CE-171); Forward Wind Energy's application to build a 200 MW wind energy  
6 installation (9300-CE-100); Wisconsin Public Service Corporation's 2005, 2006,  
7 2008, 2010, 2012, 2013, 2014, and 2015 rate cases (6690-UR-117, 6690-UR-118,  
8 6690-UR-119, 6690-UR-120, 6690-UR-122, 6690-UR-123, and 6690-UR-124);  
9 Northern States Power's 2015 rate case (4220-UR-121); Wisconsin Power &  
10 Light's 2005, 2006 and 2008 rate cases (6680-UR-114, 6680-UR-115 and 6680-  
11 UR-116); We Energies' 2005, 2007, 2012 and 2014 rate cases (05-UR-102, 05-  
12 UR-103, 05-UR-106, 05-UR-107); and Madison Gas & Electric's 2010, 2014, and  
13 2016 rate cases (3270-UR-117, 3270-UR-120, and 3270-UR-121).

14

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

16 A. The purpose of our testimony is twofold: (1) to express our opposition to the rate  
17 design proposal proposed by Wisconsin Power and Light (WPL), which will, if  
18 approved, handicap customer initiatives to save on their electric bills; and (2), to  
19 discuss the alternative rate pilots that WPL would like to offer beginning in 2017.  
20 The foundation for RENEW's position on WPL's proposed rate redesign is laid  
21 out in a February 2016 report prepared by Synapse Energy Economics for  
22 Consumers Union. I am submitting Synapse's report, titled "Caught in a Fix: The

1 Problem with Fixed Charges for Electricity,” into this proceeding as an exhibit  
2 (Ex.-RENEW-Vickerman-1).

3

4 **Q. What is RENEW’s interest in this proceeding?**

5 A. RENEW advocates for policies and initiatives that expand the availability of  
6 conservation and clean energy supply options for Wisconsin utility customers. For  
7 most customers, the only clean energy option on the supply side is solar, whether  
8 located on one’s premises or offsite via a solar garden. In recent years,  
9 Wisconsin’s investor-owned utilities have pursued an aggressive agenda for  
10 reducing the bill savings that customers reap from using less grid-supplied  
11 electricity. Rate designs that increase nonbypassable customer charges while  
12 lowering volumetric energy rates have become their favored response. Where  
13 customer investment decisions are made on a mid-to-long-term horizon, as they  
14 are with distributed generation and many efficiency projects, the policy ping-pong  
15 created by significant adjustments in rate design every two years adds a level of  
16 uncertainty over the payback period of the investment that a prudent person  
17 cannot ignore. Whether intended or not, this uncertainty gives customers more  
18 reasons to postpone up-front investments in equipment that reduce over time their  
19 energy overhead at their homes or businesses.

20

21 **Q. What is RENEW’s position on the Company’s proposed changes to**  
22 **residential and small commercial rate design?**

1 A. As a policy matter, higher fixed charges and lower volumetric rates undermine  
2 the ability of customers to undertake reasonable actions to lower their electricity  
3 usage through behavior changes, efficiency measures, and self-generation with  
4 solar energy. Rate redesign of this nature puts a larger portion of customer bills  
5 off-limits to potential savings from actions initiated by the customers. From the  
6 standpoint of the customer, shrinking the portion of the bill affected by one's use  
7 becomes a powerful disincentive to invest in energy efficiency and renewable  
8 self-generation. In addition to eroding customers' ability to control their bills,  
9 higher fixed charges disproportionately burden low-usage customers more than  
10 high-usage customers. Because it will lower the economic return on energy  
11 efficiency and distributed generation, WPL's proposed rate design measures will  
12 encourage customers to consume more electricity, and the investments needed to  
13 increase the supply will drive system costs higher.

14 The centerpiece of WPL's rate design proposal is a two-step increase in  
15 the mandatory monthly charge imposed on residential and small commercial  
16 customers, from \$7.56 today to \$12 in 2017 and \$18 in 2018. If approved as  
17 proposed, this two-step jump would increase the nonbypassable portion of  
18 monthly bills by 138% from today's level. Accompanying this increase is a 1.5%  
19 decrease in the volumetric energy rate from 2016 to 2018, which includes a nearly  
20 6% decrease in residential energy rates from 2017 to 2018.

21 The rates proposed by WPL are designed to capture more revenue from  
22 residential customers, increasing from \$408.5 million in 2016 to \$430.4 million in  
23 2018. Not only would the \$10.44/month increase in the nonbypassable fixed

1 charge offset the reduction in residential revenue triggered by the lower  
2 volumetric rate, it would increase residential bills by an average of 5.3%. But  
3 how this reweighting of the fixed charge versus the volumetric rate will affect  
4 individual Rg-1 customers depends entire on their usage. In looking at the  
5 transition from 2017 to 2018, those customers who use 1,000 kWh or more per  
6 month will see lower bills in 2018 while those customers who use less than 1,000  
7 kWh per month will see higher bills in 2018. To illustrate: for customers  
8 consuming an average of 300 kWh/month, the proposed rate restructuring from  
9 2017 to 2018 will result in bill increases of \$4/month. But for customers  
10 consuming 1,200kWh/month, that rate restructuring will result in bill decreases of  
11 about \$2/month.

12  
13 **Q. In his pre-filed direct testimony, WPL witness Brian Penington describes the**  
14 **proposed increases in WPL’s monthly customer charge as “a slower pace of**  
15 **change.” (PSC REF# 286369, page 15, line 2). Do you agree with that**  
16 **characterization?**

17 A. No, I do not. Mr. Penington states that the PSCW has been limiting “single-year  
18 customer charge increases to 75%,” and that WPL’s proposed increases amount to  
19 only 50% in each year. This characterization overstates the impact of the  
20 staggered approach proposed by WPL for achieving a 138% increase in the  
21 customer charge. But when looking at this question from the standpoint of a two-  
22 year rate cycle, one should compare the 138% increase sought by WPL for the  
23 2017-2018 biennium with the 125% increase sought by Northern States Power-

1 Wisconsin for the 2016-2017 biennium, the 75% increase sought by Wisconsin  
2 Electric Power for the 2015-2016 biennium, and the 87% post-settlement increase  
3 sought by Madison Gas & Electric for the 2015-2016 biennium. The only request  
4 in recent years that exceeded the 138% increase sought by WPL this year was the  
5 140% increase proposed by Wisconsin Public Service in 2014 for the 2015-2016  
6 biennium. Unlike WPL's characterization, we believe our comparison above is  
7 more truly apples-to-apples.

8

9 **Q. Witness Penington includes a chart (WPL-Penington-Direct, page 18) that**  
10 **compares WPL's current customer charge with those of other electricity**  
11 **providers in Wisconsin. What are your thoughts on that comparison?**

12 A. As with the "slower pace of change" characterization discussed above, there is an  
13 apples-to-oranges flavor to this comparison. We don't believe that it is useful to  
14 compare the customer charges set by unregulated electric cooperative serving  
15 rural areas, such as Adams-Columbia Electric Cooperative, with those of  
16 regulated electric utilities serving a mix of urban and rural territories. The PSCW  
17 has no jurisdiction over the rates and tariffs set by rural electric cooperatives,  
18 which constitute the eight bars on the left side of the chart (WPL-Penington-  
19 Direct-18). This comparison also leaves out the customer charges of municipal  
20 electric utilities in or near WPL territory, such as Sun Prairie, Stoughton,  
21 Kaukauna and Waupun. Expanding the chart to include those four municipal  
22 utilities would clearly demonstrate that the residential customer charge sought by

1 WPL, if approved as is, would wind up significantly higher than the ones  
2 ultimately approved by the Commission for those four utilities.

3

4 **Q. How does WPL's proposed \$18/month fixed charge compare with other**  
5 **Alliant Energy electric utilities?**

6 A. WPL's Iowa affiliate, Interstate Power & Light, has a residential customer charge  
7 of \$10.50, 40% higher than WPL's current customer charge. However, the  
8 increase sought by WPL would surpass Interstate's level by 70%.

9

10 **Q. Beginning in 2014, electric utilities across the nation have sought similarly**  
11 **large increases in nonbypassable charges for their residential customers.**  
12 **How have the state utility commissions in other states responded to these**  
13 **proposals?**

14 A. Since this is clearly a national trend, I believe the Commission should be aware of  
15 the actions undertaken by other state utility commissions that have reviewed  
16 similar proposals for raising monthly customer charges. Table 1 on pages 10 and  
17 11 is a compilation of rate case decisions rendered by other state commissions on  
18 utility proposals to hike fixed charges, with the rows in bold italics representing  
19 2016 decisions or settlements. Earlier versions of this table appeared in RENEW's  
20 testimony filed in Northern States Power – Wisconsin's 2015 rate proceeding  
21 (PSC REF# 275829) and Wisconsin Public Service Corporation's 2015 rate  
22 proceeding (PSC REF# 275323). In the vast majority of the 50 rate cases listed in  
23 Table 1, the commissions either rejected the requested increases outright or



1 sharply reduced them, or approved settlements that led to similar results. Many of  
2 the utilities making these requests had customer charges under \$10, and of that  
3 group, most wound up with modest increases. Utilities with the highest customer  
4 charges, such as those in New York and Pennsylvania, were denied increases.  
5 Only a handful of utilities received increases of more than 30%, such as El Paso  
6 Electric (TX), Indianapolis Power & Light, Kansas City Light & Power,  
7 Kentucky Power, and Wisconsin Public Service (MI). But in all but one of those  
8 cases, the approved increases resulted in customer charges at or under \$12/month.  
9 In reviewing these proposals, these utility commissions were clearly concerned  
10 that the 60%-125% increases proposed by their utilities would have an adverse  
11 impact on customer efforts to control their bills and reduce their expenses.

12

**Table 1**  
**RECENTLY APPROVED RESIDENTIAL CUSTOMER FIXED**  
**CHARGES IN GENERAL RATE CASES**

**2014-2016 Results – National (excluding Wisconsin)**

		Monthly Fixed Residential Charges			Percent Change		
State	Utility	Existing	Proposed	Approved	Existing to Proposed	Existing to Approved	Effective Date
<b>AR</b>	<b>Entergy</b>	<b>\$6.95</b>	<b>\$9</b>	<b>\$8.43</b>	<b>29%</b>	<b>21%</b>	<b>2/2016</b>
<b>AZ</b>	<b>UNSE</b>	<b>\$10.00</b>	<b>\$15.00</b>	<b>\$13.00</b>	<b>50%</b>	<b>30%</b>	<b>7/2016</b>
CA	PG&E	\$0.00	\$10.00	\$0 +\$10 min. bill	--	0%	7/2015
CA	SDG&E	\$0.00	\$10.00	\$0 +\$10 min. bill	--	0%	7/2015
CA	SoCalEd	\$0.95	\$10.00	\$0.95 +\$10 min. bill	953%	0%	7/2015
CT	CL&P	\$16	\$25.50	\$19.25	59%	20%	12/2014
ID	Avista	\$6.25	\$8.50	\$6.25	62%	0%	12/2015
<b>IN</b>	<b>IPL</b>	<b>\$8.70</b>	<b>\$11.25</b>	<b>\$11.25</b>	<b>68%</b>	<b>68%</b>	<b>3/2016</b>
<b>IN</b>	<b>NIPSCO</b>	<b>\$11</b>	<b>\$20</b>	<b>\$14</b>	<b>82%</b>	<b>27%</b>	<b>7/2016</b>
KS	Westar	\$12	\$27	\$14.50	125%	21%	8/2015
KY	Louisville Gas-Electric	\$10.75	\$18	\$10.75	67%	0%	6/2015
KY	Kentucky Power	\$8	\$16	\$11	100%	38%	6/2015
KY	Kentucky Utilities	\$10.75	\$18	\$10.75	67%	0%	6/2015
MD	Baltimore Gas + Electric	\$7.50	\$10.50	\$7.50	40%	0%	12/2014
<b>MD</b>	<b>Baltimore Gas + Electric</b>	<b>\$7.50</b>	<b>\$12</b>	<b>\$7.90</b>	<b>60%</b>	<b>5%</b>	<b>6/2016</b>
ME	Central Maine	\$5.71	\$10	\$10 + Decoupling	75%	75%	8/2014
MI	Consumers Energy	\$7	\$7.50	\$7	7%	0%	11/2015
MI	DTE	\$6	\$10	\$6	67%	0%	12/2015
MI	Indiana Michigan Power	\$7.25	\$9.10	\$7.25	26%	0%	8/2015
MI	WI Public Service	\$9	\$12	\$12	33%	33%	4/2015

MI	Xcel Energy	\$8.65	\$8.75	\$8.75	1%	1%	4/2015
MN	Xcel Energy	\$8	\$9.25	\$8.00 + decoupling	16%	0%	5/2015
MO	Ameren	\$8	\$8.77	\$8.00	10%	0%	4/2015
MO	KCP&L	\$9	\$25	\$11.88	178%	32%	9/2015
MO	Empire District Electric	\$12.52	\$18.75	\$12.52	50%	0%	6/2015
<b>MT</b>	<b>Montana- Dakota Utilities</b>	<b>\$5.40</b>	<b>\$7.50</b>	<b>\$5.40</b>	<b>39%</b>	<b>0%</b>	<b>3/2016</b>
NM	El Paso Electric	\$7	\$10	\$7	43%	0%	6/2016
NV	Nevada Power	\$10.00	\$15.25	\$12.75	53%	28%	10/2014
NY	Con Edison	\$15.76	\$18	\$15.76	13%	0%	6/2015
NY	Central Hudson	\$24	\$30	\$24	20%	0%	6/2015
NY	Orange + Rockland	\$20	\$25	\$20	25%	0%	10/2015
<b>NY</b>	<b>NYSEG</b>	<b>\$15.11</b>	<b>\$18.89</b>	<b>\$15.11</b>	<b>25%</b>	<b>0%</b>	<b>6/2016</b>
<b>NY</b>	<b>RG&amp;E</b>	<b>\$21.38</b>	<b>\$26.73</b>	<b>\$21.38</b>	<b>25%</b>	<b>0%</b>	<b>6/2016</b>
<b>OK</b>	<b>OK Gas + Electric</b>	<b>\$13</b>	<b>\$26.54</b>	<b>\$13</b>	<b>104%</b>	<b>0%</b>	<b>Settlement pending</b>
OK	PSCo	\$16.16	\$20	\$20	24%	24%	4/2015
OR	Portland General Electric	\$10	\$11	\$10.50	10%	5%	11/2015
PA	Penelec	\$7.98	\$11.92	\$8.99	49%	13%	4/2015
PA	Met-Ed	\$8.11	\$13.29	\$10.25	64%	26%	4/2015
PA	Penn Power	\$5	\$7.35	\$5.81	47%	16%	4/2015
PA	West Penn Power	\$8.89	\$12.71	\$10.85	43%	22%	4/2015
PA	PECO	\$7.09	\$12	\$8.45	69%	19%	12/2015
PA	PPL	\$14.09	\$20	\$14.09	42%	0%	11/2015
SD	MidAm	\$7	\$8.50	\$8	21%	14%	7/2015
TX	S'western PSCo.	\$7.50	\$9.50	\$9	27%	27%	12/2015
<b>TX</b>	<b>El Paso Electric</b>	<b>\$5</b>	<b>\$10</b>	<b>\$6.90</b>	<b>100%</b>	<b>38%</b>	<b>Settlement pending</b>
UT	PacifiCorp	\$5	\$8	\$6	60%	20%	8/2014
<b>VA</b>	<b>Appal'ian Power</b>	<b>\$8.35</b>	<b>\$16</b>	<b>\$8.35</b>	<b>92%</b>	<b>0%</b>	<b>11/2014</b>
<b>WA</b>	<b>Avista</b>	<b>\$8.50</b>	<b>\$14</b>	<b>\$8.50</b>	<b>65%</b>	<b>0%</b>	<b>1/2016</b>
WA	PacifiCorp	\$7.75	\$14	\$7.75	81%	0%	3/2015
WV	Appal'ian Power	\$5	\$10	\$8	100%	60%	5/2015

1 **Q. What have other Commissions said about the necessity of raising monthly**  
2 **fixed charges on residential customers?**

3 A. The passage below is taken from the Washington Utilities and Transportation  
4 Commission's Order on Pacific Power and Light's request to increase residential  
5 fixed monthly charges from \$7.75 to \$14.00.

6 "We reject the Company's and Staff's proposals to increase significantly  
7 the basic charge to residential customers. The Commission is not prepared  
8 to move away from the long-accepted principle that basic charges should  
9 reflect only "direct customer costs" such as meter reading and billing.  
10 Including distribution costs in the basic charge and increasing it 81  
11 percent, as the Company proposes in this case, does not promote, and may  
12 be antithetical to, the realization of conservation goals."

13  
14 *Washington Utilities and Transportation Commission, Docket UE-140762,*  
15 *Order 08, 3/25/15, p. 91*  
16

17 On April 29, 2015, the Missouri Public Utilities Commission rejected the request  
18 from Ameren for a modestly higher fixed customer charge for residential  
19 customers. In so doing, it stated the following:

20 "The Commission must also consider the public policy implications of  
21 changing the existing customer charges. There are strong public policy  
22 considerations in favor of not increasing the customer charges. Residential  
23 customers should have as much control over the amount of their bills as  
24 possible so that they can reduce their monthly expenses by using less  
25 power, either for economic reasons or because of a general desire to  
26 conserve energy. Leaving the monthly charge where it is gives the  
27 customer more control."

28  
29 *Missouri Public Service Commission, Report and Order, File No. ER-*  
30 *2014-0258, In the Matter of Union Electric Company, d/b/a Ameren*  
31 *Missouri's Tariff to Increase Revenues for Electric Service, April 29,*  
32 *2015, pages 76-77.*  
33

1 **Q. How does WPL’s request compare with recent PSCW decisions on utility**  
2 **requests to increase nonbypassable charges on residential customers?**

3 A. Table 2 below is a compilation of recent PSCW decisions in 2015 and this year  
4 which involved proposals to sharply increase monthly fixed charges for smaller  
5 customers. In the proceedings listed below, the PSCW approved increases in the  
6 customer charges that were substantially less than what the utility sought. These  
7 recent decisions suggest a moderation in its position on rate design relative to the  
8 more substantial increases approved in 2014. For the municipal electric utilities,  
9 the PSCW decisions to limit the increases in fixed monthly charges resulted in  
10 virtually no change in the volumetric energy rates.

11

<b>Table 2</b>					
<b>Recent PSCW Decisions on Residential Rate Design</b>					
<b>Utility</b>	<b>Docket No.</b>	<b>Base monthly charge</b>	<b>Original requested amount</b>	<b>Approved amount</b>	<b>Date of order</b>
Stoughton Utilities	5740-UR-108	\$7.50	\$10	\$10	8/6/15
WPS	6690-UR-124	\$19	\$25	\$21	12/17/15
Xcel-NSPW	4220-UR-114	\$8	\$18	\$14	12/23/15
Kaukauna Utilities	2800-ER-107	\$7	\$16	\$12.25	4/21/16
Sun Prairie Utilities	5810-ER-106	\$7.50	\$16	\$11.75	6/16/16
Waupun Utilities	6290-ER-108	\$7	\$14	\$12	8/11/16

12

13 **Q. In light of the skepticism shown by other state utility commissions to full-**  
14 **bore rate restructuring proposals as well as the PSCW’s more moderate**  
15 **stance in recent rate decisions, what is RENEW’s recommendations on**  
16 **WPL’s request.**

1 A. RENEW supports capping an increase in monthly fixed charges on WPL  
2 residential customers at \$12. This amount would fall within the range of customer  
3 charges recently approved by the PSCW for municipal electric utilities. A \$12  
4 customer monthly charge would be \$2.00 more than Stoughton's fee, \$0.25 more  
5 than Sun Prairie's fee, the same as Waupun's fee, and \$0.25 less than Kaukauna's  
6 charge. Three of the four municipal electric utilities in this group lie within WPL  
7 territory. RENEW is neutral on the question of phasing in a higher fixed charge  
8 versus raising it to the approved amount right away.

9 A customer charge of \$12 would also fall within the range of customer  
10 charges approved for such other Midwest investor-owned utilities as Northern  
11 Indiana Public Service Company (NIPSCO) and Indianapolis Power and Light  
12 (IPL) in Indiana, Wisconsin Public Service in Michigan, and Kansas City Power  
13 & Light in Missouri.

14

15 **Q. WPL has also proposed a time-of-use rate (Rg-5) and a demand rate (Rd-1)**  
16 **along with its flat rate schedule (Rg-1). What is RENEW's position on these**  
17 **alternate rate schedules?**

18 A. RENEW supports good-faith utility efforts to provide different rate and billing  
19 options to their residential customers, which ideally would include an education  
20 component to help customers learn how these rate structures work and how they  
21 can save them money. RENEW believes that time-of use rates in particular can  
22 lead to both customer savings and overall system savings, incentivizing  
23 customers to shift their usage to off-peak hours, when energy prices are generally

1 lower. We note, however, that WPL proposes a \$9/month fixed charge for its Rd-  
2 1 rate, which is substantially lower than the \$12 fixed charge proposed for the  
3 other two services in 2017 and the \$18 fixed charge proposed for them in 2018.  
4 WPL does not offer a rationale for lowering the fixed charge for Rd-1 customers  
5 but not Rg-5 customers. With that in mind, RENEW recommends the same fixed  
6 charge for all three residential services capped at \$12/month.

7

8 **Q. WPL's filing also includes a reduction in the premium charged for the**  
9 **Second Nature program, from \$0.02 to \$0.014. What is RENEW's position**  
10 **on that change?**

11 A. RENEW supports WPL's proposal to lower its Second Nature premium.

12

13 **Q. Does this complete your direct testimony?**

14 A. Yes, it does.