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Details:

(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2009-10

(session year)

Senate

(Assembly, Senate or Joint)

Committee on ... Commerce, Utilities, Energy, & Rail (SC-CUER)

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
(**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
(**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

Senate

Record of Committee Proceedings

Committee on Commerce, Utilities, Energy, and Rail

Clearinghouse Rule 08-070

Relating to electric rate changes due to the cost of fuel.
Submitted by Public Service Commission.

September 02, 2010 Referred to Committee on Commerce, Utilities, Energy, and Rail.

October 13, 2010 **PUBLIC HEARING HELD**

Present: (7) Senators Plale, Wirch, Erpenbach, Kreitlow,
Cowles, Harsdorf and Kedzie.
Absent: (0) None.
Excused: (0) None.

Appearances For

- Robert Norcross, Madison — Public Service Commission
- Charlie Higley, Madison — Citizens Utility Board
- Todd Stuart, Madison — WIEG

Appearances Against

- None.

Appearances for Information Only

- Paul Vanderbloemen, Madison — WUA--MGE

Registrations For

- None.

Registrations Against

- None.

Registrations for Information Only

- None.

October 14, 2010 **EXECUTIVE SESSION HELD**

Present: (7) Senators Plale, Wirch, Erpenbach, Kreitlow,
Cowles, Harsdorf and Kedzie.
Absent: (0) None.
Excused: (0) None.

Moved by Senator Plale, seconded by Senator Kreitlow that **Clearinghouse Rule 08-070** be recommended for modifications requested.

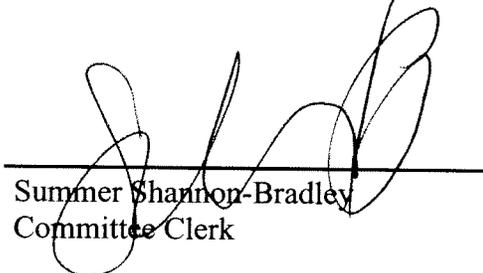
Ayes: (6) Senators Plale, Erpenbach, Kreitlow, Cowles, Harsdorf and Kedzie.

Noes: (1) Senator Wirch.

MODIFICATIONS REQUESTED RECOMMENDED, Ayes 6,
Noes 1

December 9, 2010 Modifications received from Public Service Commission

December 23, 2010 No action taken.



Summer Shannon-Bradley
Committee Clerk



SENATOR JEFF PLALE
SEVENTH SENATE DISTRICT

CHAIR
COMMITTEE ON COMMERCE, UTILITIES, ENERGY, AND RAIL

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TO: Members of the Senate Committee on Commerce, Utilities, Energy, and Rail

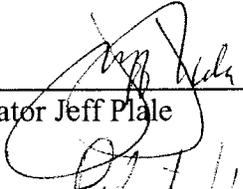
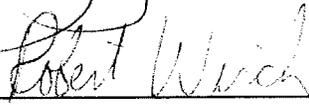
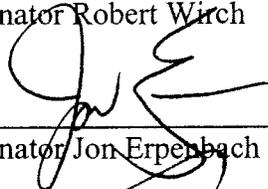
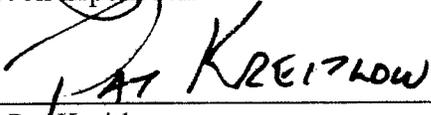
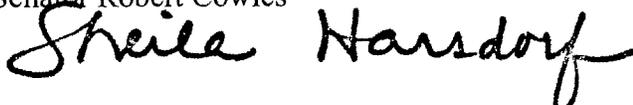
FROM: Senator Jeff Plale, Chair

DATE: October 14, 2010

SUBJECT: Committee ballot on Clearinghouse Rules 08-070 and 10-057

[MOTION 1] To request the Public Service Commission to make modifications to Clearinghouse Rule ~~08-070~~ because it is inconsistent with what the Legislature intended in 2009 Wisconsin Act 403, by the committee on Commerce, Utilities, Energy, and Rail.

Pursuant to Senate Rule 25 (4), I have determined that an emergency exists making it necessary to vote by ballot on the above motion to preserve the public welfare. Please review the motion and record your vote below by signing your name, inserting the date, and circling "Aye" or "No." By circling "Aye" you indicate your approval of the motion. Please forward this ballot to the next office listed. Thank you.

 _____ Senator Jeff Plale	10-14-2010 _____ Date	<input checked="" type="radio"/> AYE	<input type="radio"/> NO
 _____ Senator Robert Wirth	_____ Date	<input checked="" type="radio"/> AYE	<input checked="" type="radio"/> NO
 _____ Senator Jon Erpenbach	10/18/10 _____ Date	<input checked="" type="radio"/> AYE	<input type="radio"/> NO
 _____ Senator Pat Kreitlow	10-14-10 _____ Date	<input checked="" type="radio"/> AYE	<input type="radio"/> NO
 _____ Senator Robert Cowles	10-14-10 _____ Date	<input checked="" type="radio"/> AYE	<input type="radio"/> NO
 _____ Senator Sheila Harsdorf	10-19-10 _____ Date	<input checked="" type="radio"/> AYE	<input type="radio"/> NO
 _____ Senator Neal Kedzie	10/14/10 _____ Date	<input checked="" type="radio"/> AYE	<input type="radio"/> NO



Due Date is Wednesday, October 20, 2010 at 1:00 pm



Memo

To: Senate Commerce, Utilities, Energy and Rail Committee Members

From: Bill Skewes, Executive Director
Wisconsin Utilities Association

Re: CR-08-070

Date: October 13, 2010

On behalf of Wisconsin’s investor-owned energy providers, the Wisconsin Utilities Association (WUA) appreciates the opportunity to comment on CR-08-070, commonly known as the Public Service Commission’s “fuel rules,” which define how Wisconsin electric utilities recover their cost of fuel for electric generation, purchased power and related costs incurred to serve their customers. WUA members supported the legislation that directed the PSC to promulgate these rules, and they generally support the rule package. However, WUA members believe that one aspect of the proposed rules is inconsistent with the legislature’s intent, namely the “excess revenues” provision in the rule. WUA members worked closely with the PSC, policymakers, customer groups and other stakeholders for several years to develop consensus for a statute - WI Act 403 - that streamlines the administrative process by which the PSC adjusts electric rates to account for fluctuations in the cost of fuel outside of a pre-determined range or “band” set by the PSCW. In other words, over-recovery of fuel costs outside of the band would be refunded to customers and under-recovery of fuel costs outside of the band would be collected by the utilities.

The new rules, as drafted, retain a provision of the old rules – the so called “excess revenue test”. In doing so, the new rules would deny the utilities recovery of prudently incurred fuel costs if the PSC determines through an after-the-fact review that they “earned too much” in a given year. No analogous provision allows a utility to seek additional recovery if its earnings fall short of the level authorized by the PSC. Thus, contrary to the legislative intent, the “excess revenues” provision can prevent a utility from recovering prudently incurred fuel costs.

It is important to note that utilities do not intend to profit from the fuel and power purchased to provide service to their customers – these costs are recovered from customers on a pass-through basis with no added profit margin. The fuel rules legislation, which passed unanimously through both houses and both standing committees with support from utilities, customer groups and the PSCW, incorporates this intent. The “excess revenues” provision is contrary to this intent, and would present a level of unreasonable financial risk to the utilities with respect to their recovery of prudent costs incurred to provide electric service.

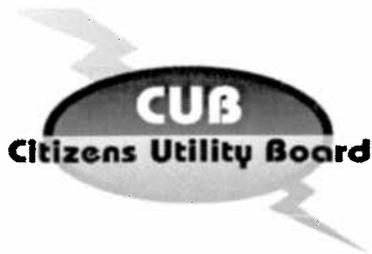
As one commissioner noted, the PSC has other methods at its disposal to monitor and address utility earnings and it is not necessary or appropriate for the PSC to be addressing earnings in the fuel rules.



On a monthly basis, utilities file reports containing financial information, including return on equity. Utilities are also required to file rate cases every two years, in which the PSC can address rate and earnings levels. The PSC itself can initiate a rate case at any time. It is also important to understand that costs and revenues of the utilities can fluctuate drastically from year to year based on economic conditions, weather, and fuel prices. As a result, utility earnings can also fluctuate greatly and providing a cap within the fuel rules is not appropriate.

In summary, WUA members believe the fuel rules should reflect consideration of the cost of fuel as was intended by legislation and would support the new rules provided that the "excess revenues" concept is removed. We are willing to work with the Committee on alternative language.





WausauPAPER®



Ratepayer Groups Support PSC Fuel Rules (Clearinghouse Rule 08-070) As Promulgated

October 7, 2010

CUB, Wausau Paper, Wisconsin Industrial Energy Group, and Wisconsin Paper Council (the ratepayer groups) all supported AB 600/Act 403, the precursor to the Public Service Commission's promulgated "fuel rule" modifications (Clearinghouse Rule 08-070). The fuel rules have been undergoing review and revision before the Public Service Commission for the last three years. Our organizations, the investor-owned utilities, and the PSC all made significant compromises resulting in the promulgated fuel rules. As is the case with most hard-fought processes, no interested stakeholder is completely satisfied with the result. However, we believe the fuel rules reasonably balance the financial concerns of the utilities and their customers. Therefore, we respectfully request that you do not make any modifications to the fuel rules.

The new fuel rules contain elements that the ratepayer groups have long believed critical: a requirement for hearings and a "deadband." The statutory prohibition on automatic fuel adjustments remains in place. These provisions are all very important as they give the PSC's staff and the ratepayer groups the tools they need to request data and challenge costs.

It is our understanding that the provisions regarding "excess revenues" may be debated for possible modification by the standing committee. You should know that the excess revenues language has been part of the fuel rules for decades. The ratepayer groups supported the excess revenues provision in comments provided to the PSC on the proposed rule this summer (please refer to joint ratepayer comments filed on August 2, 2010, page 8).

We believe the PSC retained the excess revenues provisions as part of Clearinghouse Rule 08-070 in order to provide an extra layer of protection for consumers (please refer to PSC discussion of issues in Attachment A3, page 5).

Our respective organizations support the fuel rules as drafted by the PSC, including the excess revenues provision, and urge the committee not to make any modifications.

Thank you for your consideration.