

## Chapter PSC 116

### COST OF FUEL

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**PSC 116.01 Purpose.** The purpose of this chapter is to implement s. 196.20 (4) (d), Stats., by setting forth a method for consideration of fuel costs in setting rates.

**History:** Cr. Register, October, 1984, No. 346, eff. 11-1-84.

**PSC 116.02 Applicability.** This chapter applies to all electric public utilities as defined in s. 196.20 (4) (a) 2., Stats.

**Note:** These are Madison Gas and Electric Co., Northern States Power Co., Wisconsin Electric Power Co., Wisconsin Power and Light Co., and Wisconsin Public Service Corp.

**History:** Cr. Register, October, 1984, No. 346, eff. 11-1-84; correction made under s. 13.93 (2m) (b) 7., Stats., Register, September, 1989, No. 405.

**PSC 116.03 Definitions.** In this chapter:

(1) "Average cost of fuel" means cost of fuel per kilowatt-hour.

(2) "Capacity" means the continuous load-carrying ability of electric generation expressed in megawatts.

(3) "Commission" has the meaning set forth in s. 196.01 (2m), Stats.

(4) "Direct load control" means event-based payments to retail customers under a commission approved program under which an electric public utility may pay a firm customer to reduce its demand when system constraints threaten reliable service. For purposes of this chapter, direct load control does not include equipment costs and standard monthly credits.

(5) "Emergency" means an event that:

(a) Is caused suddenly by forces beyond the utility's control or reasonable foresight; and

(b) Causes expenditures that are unusual and infrequently recurring; and

(c) Causes the utility to incur added costs appropriate for recognition in accounts 501, 518, 547, 555, and transmission service purchased excluding charges for network transmission service in account 565 of the uniform system of accounts prescribed under 18 CFR 101 (2002) in an amount at least as great as the amount of fuel costs necessary to show an extraordinary increase in the cost of fuel.

(6) "Energy" means the amount of electric generation or use of electric power over a period of time, expressed in kilowatt-hours, megawatt-hours, or gigawatt-hours.

(7) "Excess revenues" means revenues which provide the utility with a greater return on common equity than was authorized by the commission in the utility's last rate case.

(8) "Extraordinary decrease in the cost of fuel" means a decrease in the average cost of fuel of an electric public utility that is below the current tolerances established for under s. PSC 116.04 (1) for either that utility's cumulative or monthly estimates in an amount that will cause the average cost of fuel for that utility to fall below the current tolerance for that utility's annual fuel cost estimate established under s. PSC 116.04 (1).

(9) "Extraordinary increase in the cost of fuel" means an increase in the average cost of fuel for an electric public utility that is above the current tolerances established under s. PSC 116.04 (1) for either that utility's cumulative or monthly fuel cost estimates

in an amount that will cause the average cost of fuel of that utility to exceed the current tolerance for that utility's annual fuel cost estimate established under s. PSC 116.04 (1).

(10) "Fuel" means any of the following:

(a) Coal.

(b) Natural gas.

(c) Nuclear fuel.

(d) Oil.

(e) Any other type of material converted to electric energy.

(f) Energy and associated transmission service purchased excluding charges for network transmission service.

(g) Opportunity sales.

(h) Opportunity purchases.

(i) Retail customer tariffs under s. 196.192 (2) (a), Stats., for voluntary curtailable load.

(j) Direct load control.

(k) Fuel price risk management tools implemented under a risk management plan approved by the commission.

(11) "Opportunity purchase" means a transaction of one month or less where the total hourly cost for capacity and energy is less than the incremental cost of the next dispatchable resource available to the utility. Substantially similar transactions repeated more than three times consecutively are not opportunity purchases. Opportunity purchase does not include the cost of capacity purchased to satisfy a utility's planning reserve requirements.

(12) "Opportunity sale" means a power sale as defined in s. PSC 117.03 (14) whether it is an in-state or out-of-state sale.

(13) "Unit costs of fuel" means the price for each fuel expressed as a cost per unit of fuel purchased or sold, e.g., dollars per million British thermal units or cents per kilowatt-hour.

**History:** Cr. Register, October, 1984, No. 346, eff. 11-1-84; CR 00-180: r. and recr. (1), renum. (2), (3) and (4) to be (7), (9) and (10) (intro.) and am., cr. (2) to (6), (8), (10) (a) to (k) and (12) to (13), Register August 2002 No. 560, eff. 9-1-02.

**PSC 116.04 Fuel costs.** The fuel costs of an electric public utility shall be considered like any other utility expense in a rate proceeding, subject to the following:

(1) In each rate proceeding considering fuel costs, the commission shall establish tolerances within which the average cost of fuel may vary from monthly estimates either on a monthly or a cumulative basis or both, and a tolerance within which the average cost of fuel may vary from an annual estimate on a calendar year basis.

(2) The monthly and annual fuel cost ranges for each utility shall be based on the following factors and any other factors deemed relevant:

(a) The extent to which fuel costs are controllable by the utility.

(b) The ratio of fuel costs to total utility costs, and the probable effect of changes in fuel costs on authorized earnings.

(c) The types, quantities and delivered costs of fuel expected to be used by the utility.

(d) The number, type, efficiency and amount of use of the utility's generating units.

(e) The cost effect of known or projected opportunity purchases or opportunity sales.

**History:** Cr. Register, October, 1984, No. 346, eff. 11-1-84; emerg. cr. (1) (b) 6, eff. 6-5-00; CR 00-180: renum. (1) (intro.), (a) and (b) to be (intro.), (1) and (2) and am. (2) (e), Register August 2000 No. 560, eff. 9-1-02.

**PSC 116.05 Monthly reports.** (1) An electric public utility shall file monthly reports concerning its actual monthly and cumulative average cost of fuel and fuel costs, energy consumption, and usage of fuel. The reports shall be filed no later than the last working day of the month immediately following the month for which the data is being reported, except that the commission may grant one extension per year of not more than 10 days.

(2) If an electric public utility requests confidential treatment for any portion of a report it files pursuant to sub. (1), it shall also file concurrently a report containing aggregated data and all non-confidential material. This report shall be available immediately for public inspection. The detail in the report shall be sufficient for a person to use for the purpose of making a claim under s. PSC 116.08 (1).

(3) The utility shall provide copies of non-confidential reports to any interested person requesting them at the same time it files them with the commission.

**History:** Cr. Register, October, 1984, No. 346, eff. 11-1-84; CR 00-180: r. and recr. Register August 2002 No. 560, eff. 9-1-02.

**PSC 116.06 Emergencies.** An electric public utility experiencing an emergency may apply for deferral accounting treatment for all costs provided under s. PSC 116.03 (5) (c) caused by that emergency. A utility may not apply for both a deferral under this section and a rate increase under s. PSC 116.07 (1) to seek recovery of the same costs.

**History:** Cr. Register, October, 1984, No. 346, eff. 11-1-84; CR 00-180: r. and recr. Register August 2002 No. 560, eff. 9-1-02.

**PSC 116.07 Extraordinary increases.** (1) If an electric public utility experiences an extraordinary increase in the cost of fuel it may seek authority to raise rates by requesting a proceeding limited in scope to the question of the average cost of fuel.

(2) After receiving a request under sub. (1), the commission shall hold a hearing. If the commission finds that the increase in the average cost of fuel claimed by the electric public utility is an extraordinary increase in the cost of fuel it shall order, on an interim basis, a rate increase to the applicant no later than 21 days after the applicant has provided notice to all its customers of its request. Notwithstanding any other notice provision in ch. PSC 2, notice under this section may be by special mailing or by means of a display advertisement in a newspaper having general circulation in the utility's service area. The interim order will set rates at the requested level, subject to refund plus carrying costs pending a full review, hearing and final determination by the commission. Carrying costs shall be at the utility's most recently authorized rate of return on common stock equity.

(3) After a full review and hearing limited in scope in accordance with sub. (1), the commission shall determine the reasonable and just average cost of fuel for the applicant. If the commission finds that the average cost of fuel is an extraordinary increase in the cost of fuel, the commission shall determine and issue a final order authorizing a reasonable and just rate increase to the applicant. If the average cost of fuel determined by the commission is not an extraordinary increase in the cost of fuel, the commission shall deny any rate increase.

(4) The annual average cost of fuel for purposes of the orders issued under subs. (2) and (3), shall be calculated by the actual

prudent fuel costs reported in the most recent monthly report filed pursuant to s. PSC 116.05 (1) and a revised forecast of the unit costs of fuel for the remainder of the year.

(5) If the commission, under sub. (3), denies the request for a rate increase or orders, for the period that the interim order was in effect, a rate increase lower than the one authorized by the interim order, the commission, in its final order, shall require the utility to refund the net difference between the increase in rates collected by the utility under the interim order, and the amount authorized by the final order, plus carrying costs on the net difference as provided in sub. (2).

(6) If an increase in rates is based on a hearing confined solely to fuel costs, the commission shall condition the increase on a refund of any excess revenues collected by the utility.

**History:** Cr. Register, October, 1984, No. 346, eff. 11-1-84; CR 00-180: r. and recr. Register August 2002 No. 560, eff. 9-1-02.

**PSC 116.08 Decreases.** (1) If an electric public utility experiences an extraordinary decrease in the cost of fuel the utility or any interested person may seek authority to decrease rates by requesting a proceeding limited in scope to the question of the average cost of fuel.

(2) No later than 21 days after receipt of a request under sub. (1), the commission shall, on an interim basis, order the rates effective prior to this order subject to refund pending a full review and final determination by the commission, or issue an order stating the reasons for denying the request. Alternatively at the request of the applicable electric public utility, the commission may order an interim decrease pending a full review and final determination by the commission.

(3) After a full review limited in scope in accordance with sub. (1), the commission shall determine the reasonable and just average cost of fuel for the applicable electric public utility. If the commission finds that average cost of fuel is an extraordinary decrease in the cost of fuel, the commission shall determine and issue a final order authorizing a reasonable and just rate decrease.

(4) The annual average cost of fuel for purposes of the interim and final orders shall be calculated as provided in s. PSC 116.07 (4).

(5) If the commission, under sub. (3), orders, for the period that the interim order was in effect, a rate decrease lower than the one authorized by the interim order, the commission, in its final order, shall require the utility to refund the net difference between the decrease in rates collected by the utility under the interim order, and the amount authorized by the final order, plus carrying costs on the net difference as provided in sub. (2). If the commission denies a rate decrease under sub. (3), there shall be no refunds.

**History:** CR 00-180: cr. Register August 2002 No. 560, eff. 9-1-02.

**PSC 116.09 Initiation of hearings.** The commission may order an extraordinary rate increase or rate decrease proceeding on its own motion or that of any other interested person.

**History:** Cr. Register, October, 1984, No. 346, eff. 11-1-84; CR 00-180: r. and recr. Register August 2002 No. 560, eff. 9-1-02.

**PSC 116.10 Transition.** The commission shall have the authority to accommodate the timing of application of this chapter to each utility to ensure that utilities and ratepayers are not harmed by the transition from the rules in effect prior to September 1, 2002. This provision expires for each electric public utility when the commission completes a full rate review for that utility, or five years after the effective date of this chapter, whichever is earlier.

**History:** CR 00-180: cr. Register August 2002 No. 560, eff. 9-1-02.