Chapter PSC 116

FUEL COST

Note: Chapter PSC 116 as it existed on February 28, 2011 was repealed and a new Chapter PSC 116 was created effective March 1, 2011.

PSC 116.01 Definitions. In this chapter:

(1) "Annual fuel cost" means actual fuel cost over a plan year.

(2) "Annual native system requirement" means the native system requirement in megawatthours over a plan year.

(3) "Associated transmission service" means the cost of transmission service incurred outside a utility's transmission organization, but not any cost associated with a purchased power contract the utility uses to meet its planning reserve requirement.

(4) "Average annual fuel cost" means the annual fuel cost divided by the annual native system requirement.

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

(6) "Commission" means the public service commission.

(7) "Energy" means the amount of electric generation over a period of time, expressed in megawatthours.

(8) "Energy market purchase" means the cost of purchasing energy or capacity, or both, used to supply electricity to a customer served by the utility. The cost includes marginal energy price, associated transmission service and transmission losses and congestion. The cost excludes capacity or associated transmission service purchased to satisfy a utility's planning reserve margin, as defined in s. PSC 117.03 (16).

(9) "Energy market sale" means an opportunity sale, as defined in s. PSC 117.03 (14), whether it is an in–state or out–of–state sale. The revenue from an energy market sale includes marginal energy prices, transmission loss, congestion, associated transmission service, and any other revenue resulting from the sale.

(10) "Excess revenues" means revenues in the plan year that provide a utility with a greater return on common equity than authorized by the commission. For the plan year, the following costs and revenues are not included in the calculation of actual return on common equity for the utility:

(a) Charitable contributions and other donations not related to providing utility service.

(b) Penalties.

(c) Costs of political and related activities.

(d) Promotional advertising.

(e) Earnings or losses from the operation of non–utility assets and gains or losses on the sale of non–utility assets.

(f) Imprudently incurred fuel costs.

(g) Earnings, dividends, or distributions from any ownership interest that a utility may hold in a transmission company, as defined in s. 196.485 (1) (ge), Stats., and any gains or profits a utility may receive from the sale or other disposition of securities issued by a transmission company.

(11) "Fuel" means all of the following used to generate electricity:

(a) Coal.

(b) Natural gas.

(c) Nuclear fuel.

(d) Oil.

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

(12) "Native system requirement" means the actual energy sold to customers, energy used by the utility, and line losses. In this subsection, "line losses" means the loss of energy in the operation of an electric system primarily attributable to the energy's transformation to waste heat in electric conductors and apparatus. "Native system requirement" does not include energy market sales.

(13) "Plan year" means the 12–month period identified in a fuel cost plan.

(14) "Transmission organization" means a transmission organization, as defined in 18 CFR 39.1 (in effect on March 1, 2011, that is used by a utility to serve Wisconsin retail customers.

History: CR 08–070: cr. Register February 2011 No. 662, eff. 3–1–11.

PSC 116.02 Fuel cost. (1) For any month or longer period of time, a utility shall calculate fuel cost as the net of the costs and credits for all of the following during the time period:

(a) Fuel.

(b) Energy market purchase.

(c) Energy market sale.

(d) Voluntary curtailable load program, including any payment made to a retail customer under a tariff authorized under s. 196.192 (2) (a), Stats.

(e) Direct load control program. In this paragraph, "direct load control program" means an event–based, payment–to–customers program under which a utility pays a firm customer to reduce its electric demand when system constraints threaten reliable service. The cost of a direct load control program includes all associated costs except any associated equipment cost or standard monthly credit.

(f) Any tools to manage fuel cost price risk implemented under a risk management plan approved by the commission and included in the fuel cost plan.

(g) Renewable resource credits.

(h) Emission allowances, including allowances for sulfur dioxide and carbon dioxide.

(i) The cost of chemicals used to control emissions.

(2) (a) If a utility uses a transmission organization to transact an energy market purchase, the utility shall calculate the cost of associated transmission service for that purchase as the sum of the cost of all of the following:

1. Financial transmission rights or similar related instruments transacted under a risk management plan approved by the commission.

2. Ancillary services included in a fuel cost plan.

3. Other transmission organization energy market charges and credits included in an approved fuel cost plan.

(b) The cost of associated transmission service does not include charges for network transmission service.

History: CR 08–070: cr. Register February 2011 No. 662, eff. 3–1–11.

PSC 116.03 Fuel cost plan. **(1)** Annually, a utility shall file a proposed fuel cost plan as part of an application to open or reopen a general rate case proceeding or, if the utility does not file a general rate case, the utility shall file a proposed fuel cost plan as part of a proceeding limited in scope to fuel cost. A utility shall file a proposed fuel cost plan no more than 360 days or less than 150 days before the beginning of the plan year.

(2) A utility shall include in a proposed fuel cost plan the following information for the plan year:

(a) A forecast of the average annual fuel cost.

(b) A forecast of the annual fuel cost by fuel type.

(c) A forecast of the annual native system requirement. In a utility's reopened general rate case proceeding or in a proceeding limited in scope to fuel cost, the applicable annual native system requirement is the same as the commission–approved forecast in the utility's most recently approved general rate case proceeding.

(d) Detailed input of the economic dispatch model used to forecast fuel cost.

(e) Detailed output of the economic dispatch model used to forecast fuel cost.

(f) All inputs and allocators used to calculate the forecast of the annual average fuel cost and the forecast of the annual native system requirement.

(g) Associated transmission service purchased or sold.

(h) Any other information requested by the commission.

(3) After hearing the commission shall approve a fuel cost plan, with any modifications or conditions the commission considers appropriate. The commission shall establish a utility's rates in accordance with the approved fuel cost plan, subject to reconciliation under s. PSC 116.07.

(4) Approval of a fuel cost plan by the commission is not a determination that the fuel cost plan is reasonable or prudent for reconciliation purposes under s. PSC 116.07.

History: CR 08–070: cr. Register February 2011 No. 662, eff. 3–1–11.

PSC 116.04 Deferral accounting. Subject to reconciliation under s. PSC 116.07, a utility shall apply deferral accounting to all of its actual cost for items in an approved fuel cost plan and to all amounts collected or credited under ss. PSC 116.07 and 116.08.

History: CR 08–070: cr. Register February 2011 No. 662, eff. 3–1–11.

PSC 116.05 Reporting. **(1)** A utility shall file a report with the commission that includes the actual cost for items in an approved fuel cost plan, native system requirement, and the use of items in the approved fuel cost plan by item and energy source. The report shall also include the average monthly figure for each category for the plan year to date.

(2) A utility shall file the report according to a schedule the commission establishes. Upon written request, the commission may grant a utility an extension of up to 30 days for the filing of a report.

History: CR 08–070: cr. Register February 2011 No. 662, eff. 3–1–11.

PSC 116.06 Deferred account balance calculation. **(1)** A deferred account balance debit shall be calculated using the following formula:

If AAFC is ≥ (AAFCF x (1+FCT))

Then DABD = WJR x [AAFC – (AAFCF x (1 + FCT))]

Where DABD = Deferred account balance debit.

WJR = Wisconsin jurisdictional share of the annual native system requirement.

AAFC = Average annual fuel cost.

AAFCF = Forecast of the average annual fuel cost in the approved fuel cost plan.

FCT = Fuel cost tolerance.

(2) A deferred account balance credit shall be calculated using the following formula:

If AAFC is < (AAFCF x (1–FCT))

Then DABC = WJR x [(AAFCF x (1 – FCT)) – AAFC]

Where DABC = Deferred account balance credit.

WJR = Wisconsin jurisdictional share of the annual native system requirement.

AAFC = Average annual fuel cost.

AAFCF = Forecast of the average annual fuel cost in the approved fuel cost plan.

FCT = Fuel cost tolerance.

(3) A utility's fuel cost tolerance shall be set at plus or minus two percent, unless the commission sets a different percentage when approving a fuel cost plan under s. PSC 116.03 (3).

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PSC 116.07 Reconciliation. **(1)** Annually, but no later than 90 days after the end of the plan year, a utility shall file an application for the reconciliation of actual cost for items in an approved fuel cost plan for the plan year.

(2) The utility in its application shall identify and explain the following:

(a) Fuel cost.

(b) Deferred account balances.

(c) Deferred account balance debit or deferred account balance credit as of the end of the plan year.

(d) Excess revenues.

(e) Deviations from the approved fuel cost plan, including differences in scheduled and in forced outage rates.

(3) The commission shall commence a proceeding to consider the application and shall conclude the proceeding no later than 240 days after the end of the plan year. The commission shall review all of the items identified in sub. (2) and may request that the utility provide any other information the commission considers appropriate.

(4) (a) If after hearing the commission finds the utility demonstrated that the deferred account balance debit is accurate and includes only prudently–expended fuel costs, the commission shall authorize the utility to recover in rates the amount of the deferred account balance debit less any amount of fuel costs already collected from customers under s. PSC 116.08, plus any fuel costs already credited to customers under s. PSC 116.08, and less any utility excess revenues.

(b) If the amount already collected from customers under s. PSC 116.08 is greater than the deferred account balance debit found in par. (a) less any excess revenues, the commission shall order the utility to credit the difference to customers.

(c) If after opportunity for hearing the commission finds a deferred account balance credit, the commission shall order the utility to credit to customers the amount of the deferred account balance credit, plus any amount already collected from customers under s. PSC 116.08, and less any amount already credited to customers under s. PSC 116.08.

(5) For any amount under sub. (4), the commission shall do all of the following:

(a) Establish a date upon which collection may begin or credit shall begin, and a date upon which the collection or credit shall terminate.

(b) Calculate the rate of collection or credit using the current fuel cost plan.

(c) Calculate and apply interest to the amount starting on the first day of the plan year in which collection or credit occurs until the termination date established in par. (a), by applying the utility's authorized short–term debt rate to the outstanding amount, on a monthly basis.

(6) Based on the termination date established in sub. (5) (a), any amount over–collected or under–credited shall be charged to the appropriate deferred account.

History: **CR 08–070: cr. Register February 2011 No. 662, eff. 3–1–11.**

PSC 116.08 Mid–year rate adjustment. (1) The commission may commence a proceeding to adjust rates for a utility during a plan year if all of the following apply:

(a) During the plan year the commission projects that the utility's average annual fuel cost will differ materially from the forecast of the average annual fuel cost used in an approved fuel cost plan.

(b) The difference is due to extraordinary circumstances.

(c) The commission finds that the absolute value, at current rates, of the difference at the end of the plan year between the commission's projection of utility average annual fuel cost and the commission's approved forecast of utility average annual fuel cost, as specified in par. (a), likely will be of sufficient magnitude to cause a material change to rates.

(2) After a hearing, the commission may approve a rate change that is designed to avoid a difference of such magnitude.

(3) The commission may not adjust an approved fuel cost plan in an order under sub. (2).

(4) A utility may not obtain an increase in rates under sub. (2) more than once during a plan year.

History: **CR 08–070: cr. Register February 2011 No. 662, eff. 3–1–11.**