

CERTIFICATE

STATE OF WISCONSIN)
) ss.
PUBLIC SERVICE COMMISSION)

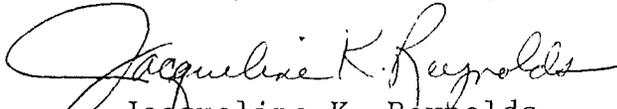
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TO ALL WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, Jacqueline K. Reynolds, Secretary of the Public Service Commission of Wisconsin, and custodian of the official records of said commission, do hereby certify that the annexed order adopting Wis. Adm. Code section PSC 110 was duly approved and adopted by this commission on October 27, 1983.

I further certify that said copy has been compared by me with the original on file in this commission and that the same is a true copy thereof, and of the whole of such original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the official seal of the commission at the Hill Farms State Office Building, in the City of Madison this 4th day of November, 1983.


Jacqueline K. Reynolds
Secretary of the Public Service
Commission of Wisconsin

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COMPARED WITH AND CERTIFIED BY ME
TO BE A FULL, TRUE AND CORRECT COPY
OF THE ORIGINAL ON FILE IN MY OFFICE

OCT 27 1983

Jacqueline K. Reynolds
Secretary to the Commission
Public Service Commission of Wisconsin

DATE MAILED
OCT 28 1983

BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Rules Governing Distribution)
by Electric Utilities of Refunds)
Received from Wholesale Suppliers)

1-AC-56



ORDER OF THE PUBLIC SERVICE COMMISSION
ADOPTING RULES

Relating to adoption of Ch. PSC 110, governing
distribution by electric utilities of refunds received from
wholesale suppliers.

ANALYSIS PREPARED BY THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

A substantial number of electric utilities in
Wisconsin--almost all of them municipal electric
utilities--purchase wholesale power from other utilities and sell
to their retail customers. While the rates at which these
utilities sell power to their retail customers are regulated by
the public service commission, the rates at which they purchase
power from wholesale suppliers are determined by the Federal
Energy Regulatory Commission (FERC).

The wholesaling utilities may place new rates into
effect immediately under the federal scheme, but they may be
ordered to refund to their wholesale customers any excess
collected over the rates ultimately approved by the FERC. The

rules being proposed govern distribution of refunds received by retail electric utilities from their wholesale suppliers.

Sec. 196.645, Stats., authorizes the public service commission to retroactively raise or lower retail rates to match changes in federally-approved wholesale rates. In practice, wholesale rate increases are passed on to retail customers through power cost adjustment clauses, but there is no similar mechanism for distribution of wholesale refunds to retail customers. The proposed rules constitute such a mechanism and codify present case-by-case commission practice. The rules require that:

(1) A retail electric utility shall distribute refunds on the basis of actual kilowatt hours used by each customer, or, if records are not available to allow refund on the basis of actual usage, through an adjustment to the utility's power cost adjustment clause. A transition period through September 30, 1984, is allowed during which a refund may be distributed through the power cost adjustment clause.

(2) The customer's bill shall show the refund as a separate item, if that billing capability exists.

(3) Patronage dividends or capital credits are treated similar to wholesale refunds.

(4) The utility must comply with certain reporting requirements: The utility shall notify the PSC within 30 days of receipt of a refund, propose a method of distribution for commission approval, and notify the commission upon completion of the refund.

(5) Simple interest must be paid on the amount refunded, except for patronage dividends and capital credits.

(6) Expenses of intervening in federal rate proceedings and expenses of distributing refunds are not deductible from wholesale refunds and are to be recouped in customer rates as an ordinary operating expense.

(7) A portion or all of a wholesale refund may be retained to compensate for errors in application of the power cost adjustment clause.

(8) A waiver provision is included to cover extraordinary situations.

Some modifications have been made to the rules as originally proposed after consultation with legislative committee members.

RULES AND STATUTORY AUTHORITY

Pursuant to authority vested in the public service commission by secs. 196.05, 196.20, 196.37, 196.645 and 227.014(2)(a) and (c), Stats., the public service commission proposes to adopt rules as follow:

SECTION 1: Ch. PSC 110, title, and secs. 110.01, 110.02, 110.03, 110.04, 110.05, 110.06, and 110.07 are created to read:

CHAPTER PSC 110 DISTRIBUTION OF WHOLESale ELECTRIC REFUNDS

PSC 110.01 PURPOSE. The purpose of this chapter is to set forth regulations for the distribution of wholesale refunds and other monies received from wholesale suppliers by electric utilities which purchase electricity from wholesale suppliers and sell it to retail customers.

PSC 110.02 DISTRIBUTION OF WHOLESALERE REFUNDS. A retail electric utility which has received a refund from its wholesale supplier as a result of a reduction in rates set by a federal regulatory authority shall distribute the refund to its retail customers, including former customers, if they can be located, in the following manner:

(1) The retail electric utility shall distribute the refund on the basis of actual kilowatt-hours used by each customer during the period for which the refund is made.

(2) There will be a transition period of one year beginning October 1, 1983. During that year the utility shall establish a system which will make it practical to distribute the refund on an actual kilowatt-hour used basis. If the utility can show that the cost of making the refund on the basis of actual usage will substantially diminish the benefit, it may, after commission authorization, distribute the refund through an adjustment to the power cost adjustment clause during the transition period. After September 30, 1984, PSC 110.02(1) shall apply to all retail electric utilities.

(3) If the utility has the billing capability, it shall show as a separate item on the customer's bill the refund dollar amount or, during the transition period, the change in the purchased power adjustment clause level due to the refund. If the utility does not have the billing capability, it shall inform customers of the refund through bill inserts or a newspaper announcement.

(4) If through inaccurate operation or application of the power cost adjustment clause, a utility has not recovered from retail ratepayers the full amount of the increased costs which it had been temporarily charged by the wholesale supplier and which is the subject of a refund under these rules, the utility may, following commission approval, retain a portion or all of the wholesale refund to cover such costs.

PSC 110.03 DISTRIBUTION OF OTHER MONIES. A retail electric utility which has received a patronage dividend or capital credit refund from its wholesale supplier as a result of cooperative policies shall distribute the refund to its retail customers in the following manner:

(1) The utility, after commission approval, shall distribute the refund through adjustment to the power cost adjustment clause.

(2) If the utility has the billing capability, it shall show as a separate item on the customer's bill the refund dollar amount or the change in the purchased power adjustment clause level due to the refund. If the utility does not have the billing capability, it shall inform customers of the refund through bill inserts or a newspaper announcement.

PSC 110.04 NOTIFICATION. An electric utility shall notify the public service commission within 30 days of receipt of a refund or other monies from its wholesale supplier. The notice shall contain a proposal for distribution of the money and the date by which the distribution is proposed to be made. The money shall be distributed only after commission approval. The utility shall notify the commission as to the date the distribution was made to retail customers, and the total amount distributed.

PSC 110.05 INTEREST. Amounts refunded to customers shall include interest on the total amount received from the wholesale supplier from the date of receipt by the electric utility to the date of distribution to its retail customers. If the amount received by the electric utility was not actually invested, simple interest on the refund shall be calculated at the legal rate. Interest does not apply to patronage dividends and capital credits.

PSC 110.06 INTERVENTION EXPENSES. Costs of intervention in federal regulatory proceedings by electric utilities which purchase electricity from a wholesale supplier are normal operating expenses to be considered in a rate case. Intervention expenses shall not be deducted from wholesale refunds which are distributed to retail customers.

PSC 110.07 DISTRIBUTION EXPENSES. Costs of distribution of a refund to retail customers are normal operating expenses to be considered in a rate case. Distribution expenses shall not be deducted from wholesale refunds which are distributed to retail customers.

PSC 110.08 WAIVER. (1) Prior to October 1, 1984, a retail electric utility may request a waiver from the requirements of PSC 110.02(1) on the basis that it is unable to establish a practical method of making refunds on an actual-usage basis.

(2) A retail electric utility may request a waiver from the requirements of this chapter for a specific refund on the basis that the cost of compliance would exceed the benefit to customers.

There will be no fiscal impact of the proposed rules on the state or municipalities. The proposed rules have been forwarded to the legislature for review, pursuant to sec. 227.018, Stats. They will take effect on the first day of the month following publication in the Wisconsin Administrative Register, as provided in sec. 227.026, Stats.

This is a Type III WEPA action pursuant to PSC 2.90(3), Wis. Adm. Code. In addition, no unusual circumstances have come to the attention of the commission which would warrant further environmental review. It consequently requires neither an environmental impact statement under s. 1.11, Wis. Stats., nor an environmental assessment.

Dated at Madison, Wisconsin

October 27, 1983

By the Commission.

Jacqueline K. Reynolds
Jacqueline K. Reynolds
Secretary to the Commission

REPORT

A.B. FINDINGS OF FACT; NEED FOR RULES. The rules being proposed as ch. PSC 110 for the most part set forth standards for utility distribution of refunds received from wholesale suppliers. Up to now the administration of such refunds has been handled on a case by case basis. The new rules will provide consistency and certainty.

C. MODIFICATIONS AS A RESULT OF HEARING. As a result of statements submitted by various parties, the commission made three changes in the proposed rules: (1) A new sec. PSC 110.02(4) has been added to make explicit present PSC practice of not requiring distribution of refunds where an adjustment clause error resulted in retail customers not paying an entire original wholesale rate increase; (2) the period within which a utility must inform the PSC of receipt of a wholesale refund and a proposal for its distribution has extended from 15 to 30 days; and (3) a new sec. PSC 110.07 has been added to make explicit the present commission practice of not allowing deduction of distribution expenses directly from refunds. They are considered normal operating expenses recoverable in a rate case.

D. APPEARING AT THE HEARING OR SUBMITTING WRITTEN STATEMENTS:

Municipal Electric Utilities of Wisconsin
Cumberland Municipal
Dahlberg Light and Power
North Central Power Co.

E. RESPONSE TO LEGISLATIVE COUNCIL REPORT.

2a. This change has been made.

2b. The legislative council suggests the possible need for a definitions section. The commission believes that the terms used in the rules are well-known to persons in the utility field and that a definitions section is unnecessary.

2c. No statutory material interpreted is included in the "pursuant to" clause because the rules do not interpret any statutes.

5. The legislative council suggests that proposed PSC 110.05 might be redrafted for clarity. The rule has been revised.