

CR 83-158

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1-AC-59

C.H. 83-158

CERTIFICATE

STATE OF WISCONSIN)
) ss.
PUBLIC SERVICE COMMISSION)

TO ALL WHOM THESE PRESENTS SHALL COME, GREETINGS:

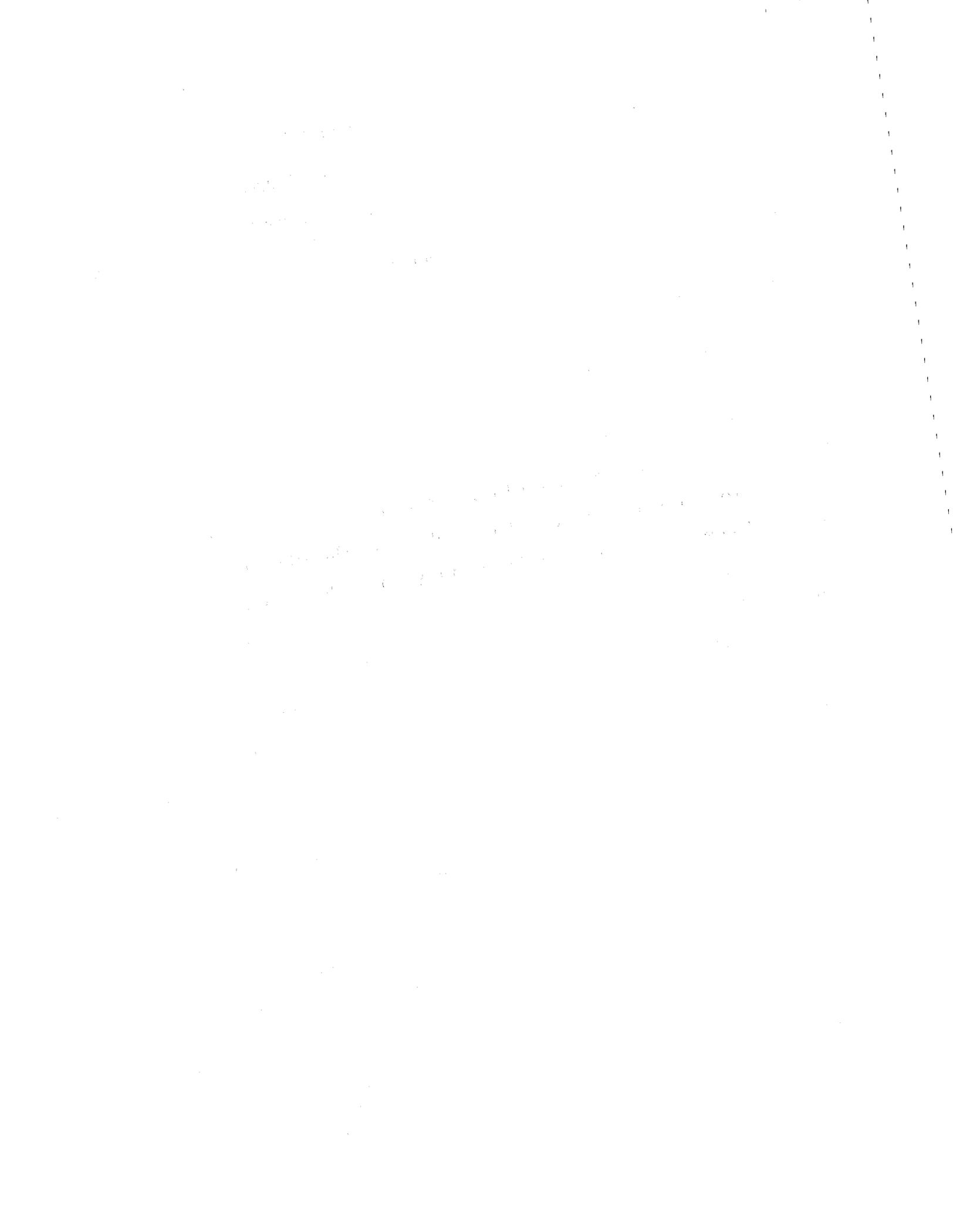
I, Jacqueline K. Reynolds, Secretary of the Public Service Commission of Wisconsin, and custodian of the official records of said commission, do hereby certify that the annexed order creating Wis. Adm. Code section PSC 116 was duly approved and adopted by this commission on August 16, 1984.

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.

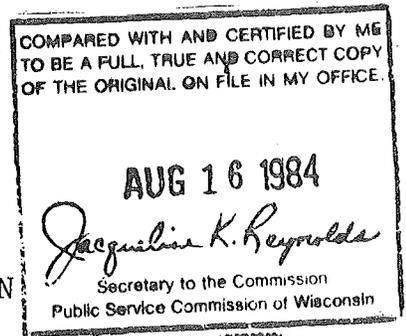
IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the official seal of the commission at the Hill Farms State Office Building, in the City of Madison this 24th day of August, 1984.


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

11-1-84



BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN



Rules Regarding Cost of Fuel) 1-AC-59



ORDER OF THE PUBLIC SERVICE
COMMISSION CREATING RULES

To create ch. PSC 116, relating to electric rate changes
due to changes in cost of fuel.

ANALYSIS PREPARED BY THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Effective July 2, 1983, 1983 Wisconsin Act 27 created
sec. 196.20(4), which forbids certain electric utilities from
recovering "any increase in costs, including fuel, by means of the
operation of an automatic adjustment clause." The commission is
directed to "promulgate a rule," which must be submitted to the
legislature by October 30, 1983. Adjustment clauses are prohibited
in rate orders issued 6 months after the effective date of the new
law.

On July 15, 1983, the commission informed all investor-owned
electric utilities and other interested persons of its intention
to promulgate rules concerning changes in costs of fuel and
inviting suggestions. Hearing on proposed rules was held
September 28, 1983, and additional written comments were submitted.
Based upon all input and its own experience, the commission
proposed to adopt ch. PSC 116. The proposed chapter provided:

1) A statement of purpose: to implement sec. 196.20(4)(d), Stats.

2) A definition and current list of utilities to which the rule applies.

3) A definition of the term "fuel," and the terms "extraordinary," "excess revenues," and "emergency."

4) A description of how the commission will consider fuel costs in rate cases: by setting a range within which such costs (in terms of costs per kilowatt hour) may vary without being considered extraordinary or emergency. The factors used to determine each utility's range are also listed.

5) A requirement for utilities to make monthly fuel cost and usage reports.

6) A provision for extraordinary or emergency rate increases where the monthly cost of fuel exceeds a utility's range and where the increase will substantially affect yearly average fuel costs. Such a hearing may be expanded to consider issues other than cost of fuel.

7) A similar provision for rate decreases based on fuel cost decreases.

The proposed rules were sent to the legislature for review, but then were temporarily withdrawn so certain modifications could be made. These modifications were made and resubmitted to the legislature in January, 1984. No further objection to the rules has been made.

PROPOSED RULE AND STATUTORY AUTHORITY

Pursuant to authority vested in the Public Service Commission by sec. 196.20(4)(d), Stats., the Public Service Commission adopts rules as follows:

SECTION 1: Ch. PSC 116 is created to read:

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.

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

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

PSC 116.03 DEFINITIONS. In this chapter:

(1) An "emergency" increase in the cost of fuel means an increase which is extraordinary and which is caused suddenly by forces beyond the utility's control or reasonable foresight.

(2) "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.

(3) An "extraordinary" increase in the cost of fuel means an increase which exceeds the range set around the utility's monthly estimates approved by the commission which will significantly alter the cost of fuel from the base cost authorized in the utility's latest rate case.

(4) "Fuel" means coal, gas, nuclear fuel, oil, any other type of material used to generate electricity, and electricity purchased or sold wholesale.

PSC 116.04 FUEL COSTS. (1) The fuel costs of an electric public utility shall be considered like any other utility expense in a rate proceeding, subject to the following:

(a) In each rate proceeding the commission shall consider the costs of fuel in setting base rates and shall set ranges within which monthly fuel costs may vary from monthly estimates either on a monthly or a cumulative basis or both, and within which annual fuel costs may vary from annual estimates in terms of cost per kilowatt hour without being considered emergency or extraordinary.

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

1. The extent to which fuel costs are controllable by the utility.
2. The ratio of fuel costs to total utility costs, and the probable effect of changes in fuel costs on authorized earnings.
3. The types, quantities and delivered costs of fuel expected to be used by the utility.
4. The number, type, efficiency and amount of use of the utility's generating units.
5. The possibility of sales or purchases of excess fuel or economy energy to or from other utilities or cooperatives.

PSC 116.05 MONTHLY REPORTS. The commission may order an electric public utility to file monthly reports under this chapter concerning its costs and usage of fuel.

PSC 116.06 EMERGENCY AND EXTRAORDINARY INCREASES. (1) If a utility's monthly fuel costs exceed the ranges set in its rate proceeding, and the annual fuel costs will be affected so as to exceed the annual range, the utility may seek an emergency or extraordinary rate increase in a proceeding limited in scope to the question of the increase in fuel costs.

(2) After a hearing confined solely to fuel costs, an emergency or extraordinary rate increase based on an increase in an electric utility's monthly costs of fuel may be granted only if the commission finds that the fuel cost increase will affect the utility's average yearly fuel costs so as to fall outside the established annual range.

(3) 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.

PSC 116.07 DECREASES. (1) If a utility's monthly fuel costs fall below the monthly ranges set in its rate proceeding, any interested person may seek a rate decrease in a proceeding limited in scope to the question of the decrease in fuel costs.

(2) A rate decrease based upon a decrease in an electric utility's monthly cost of fuel shall be granted only if the commission finds that the fuel cost decrease will affect the utility's average yearly fuel costs so as to fall outside the established annual range.

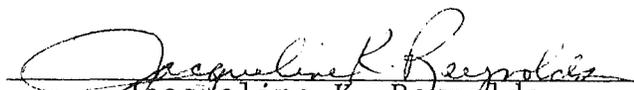
PSC 116.08 INITIATION OF HEARINGS. (1) The commission may order an emergency or extraordinary rate increase proceeding on its own motion or that of another interested person or may expand the scope of any rate proceeding held under this section to consider other issues in addition to fuel.

(2) The commission may order a rate decrease proceeding on its own motion.

These rules have been forwarded to the legislature for a second review, pursuant to sec. 227.018(4)(b), 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.

Dated at Madison, Wisconsin, August 16, 1984

By the Commission.


Jacqueline K. Reynolds
Secretary to the Commission



State of Wisconsin \ PUBLIC SERVICE COMMISSION

August 24, 1984

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Mr. Gary Poulson
Assistant Revisor of Statutes
411 West, State Capitol
Madison, Wisconsin 53702

File No

1-AC-59
C.H. 83-158

Re: Rules Regarding Cost of Fuel

Dear Mr. Poulson:

Enclosed please find two copies (one certified) of an order of the Public Service Commission adopting rules in the above-entitled matter.

The rules have been seen by legislative committees (sent January 17, 1984).

Sincerely,

Steven Levine

Steven Levine
Assistant Chief Counsel

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Enc.