

## Chapter PSC 117

### ASSIGNMENT OF COSTS AND OPPORTUNITY SALES

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**PSC 117.01 Scope.** This chapter implements s. 196.03 (5m), Stats., which requires the public service commission to promulgate administrative rules to consider the costs and revenues related to sales to out-of-state customers in setting rates for retail electric service.

**History:** Cr. Register, March, 2000, No. 531, eff. 4-1-00.

**PSC 117.02 Applicability.** This chapter applies to all electric public utilities as defined in s. 196.01 (5), Stats., with respect to sales transactions set forth in s. PSC 117.01. The commission may also apply this chapter to sales to in-state customers that the utility does not have a duty to serve.

**History:** Cr. Register, March, 2000, No. 531, eff. 4-1-00.

**PSC 117.03 Definitions.** In this chapter:

(1) “Capacity” means the continuous load-carrying ability of electric generation expressed in megawatts.

(2) “Commission” means the public service commission of Wisconsin.

(3) “Energy” means the amount of electric generation or use of electric power over a period of time, expressed in kilowatt-hours, megawatthours, or gigawatthours.

(4) “Excess capacity” means any existing capacity and any planned additional capacity that is not needed to meet native customers’ capacity demands, contracted firm power sales, and the required planning reserve margin after taking into consideration scheduled maintenance outages.

(5) “Existing capacity” means all installed and in-service generating capacity owned by the public utility and all purchased firm capacity under contract to the public utility.

(6) “Firm capacity” means electric capacity that cannot be curtailed for economic reasons by either the transmission provider or the supplier of capacity.

(7) “Firm power sale” means any sale by a public utility of firm capacity, or firm capacity and electric energy to a customer other than the public utility’s native customers.

(8) “Fuel rules” means the provisions of ch. PSC 116.

**Note:** The commission administers the fuel rules, under ch. PSC 116, to individual public utilities in the commission’s rate orders for those public utilities.

(9) “Fully-allocated sale” means a firm power sale that does not meet the definition of an opportunity sale.

(10) “Incremental cost” means the additional costs that would be incurred by producing or purchasing the next available unit of electric energy or capacity in order to supply the sale.

(11) “Jurisdictional cost-of-service study” means a method of allocating a public utility’s total revenue requirement among each retail and wholesale jurisdiction using factors such as capacity demands, energy requirements, and customer data.

(12) “Native customers” means the retail electric customers that the public utility has a duty to serve, under ss. 196.03 (1), 196.20 (1), and 196.53, Stats.

(13) “Non-firm power sale” means any sale of electric capacity, or electric capacity and energy, to a customer other than the public utility’s native customers, that is not a firm power sale.

(14) “Opportunity sale” means either a non-firm power sale, or a firm power sale that meets all of the following conditions:

(a) The contracted sale is a firm power sale that does not extend more than 3 years.

(b) The contracted sales capacity could be supplied from excess capacity that existed at the time the sales contract was signed by the selling public utility, and at that time excess capacity was reasonably expected to exist during the entire term of the contract.

**Note:** Firm power sales contracts that include options for the purchaser to extend the contract to a period of more than 3 years shall be considered to extend more than 3 years.

**Note:** Firm power sales contracts that include a provision to automatically extend the contract to a period of more than 3 years, unless the purchaser notifies the seller that it is exercising its option to cancel the automatic extension, shall be considered a sale that extends more than 3 years.

(15) “Planned additional capacity” means any additional capacity that will be owned by the public utility and that is expected to be installed and in-service within three years. “Planned additional capacity” does not include additional capacity which requires commission approval under either s. 196.491, Stats., or ch. PSC 112 until such commission approval has been granted. “Planned additional capacity” does not include additional capacity that does not require commission approval under either s. 196.491, Stats., or ch. PSC 112 until the construction of such additional capacity has been approved by the board of directors of the public utility.

(16) “Planning reserve margin” means the difference between the public utility’s expected annual peak existing capacity plus any planned additional capacity and the public utility’s expected annual peak demand, expressed as a percentage of the annual peak demand. In this subsection, “public utility’s expected annual peak demand” includes the expected peak demand of its native customers, less any interruptible sales to native customers, plus any firm power sales under contract.

(17) “Required planning reserve margin” means the minimum planning reserve margin that the commission requires the public utility to maintain for system reliability.

(18) “Scheduled maintenance outages” means regularly scheduled outages or planned outages caused by the removal of generation equipment from service for the purpose of inspection or general maintenance of one or more major components.

**History:** Cr. Register, March, 2000, No. 531, eff. 4-1-00.

**PSC 117.04 Responsibilities of the public utility.** In each rate proceeding before the commission that affects the selling public utility’s retail rates, or at the request of the commission, the public utility shall have the burden to prove that a sale for which the public utility requests opportunity sales treatment, s. PSC 117.05 (2), qualifies as an opportunity sale. At a minimum, the public utility shall provide evidence that includes all of the following:

(1) Information showing that the term of the contract does not extend more than 3 years, does not include an option for the purchaser to extend the term of the contract to more than three years and does not include a provision which automatically extends the term of the contract to more than 3 years.

(2) Information showing that excess capacity to supply the sale existed at the time the sales contract was signed by the selling

utility and that available excess capacity was reasonably expected to exist during the entire term of the contract.

(3) An analysis comparing the forecasted revenues expected to be earned as a result of the sale with the forecasted incremental costs to the public utility supplying the sale. This analysis shall be presented for each annual period covered by the sale. The analysis must include supporting calculation for both the forecasted revenues and the forecasted incremental costs, and explanations of any underlying assumptions made for the analysis.

**History:** Cr. Register, March, 2000, No. 531, eff. 4-1-00.

**PSC 117.05 Revenues and costs allocations.** (1) In each rate proceeding involving the public utility that requests opportunity sales treatment, under s. PSC 117.05 (2), for a sale to a non-native customer, the commission shall determine whether the sale qualifies as an opportunity sale.

(2) For every sale that qualifies as an opportunity sale, the commission shall reflect the greater of revenues received from the sale or the incremental costs associated with the sale as a revenue credit in the jurisdictional cost-of-service study when determining the public utility's Wisconsin retail revenue requirement. Opportunity sales revenue credits shall also be taken into account under the provisions of the fuel rules.

(3) For every sale that qualifies as a fully-allocated sale, the commission shall assign to the sale a proportionate share of the public utility's total revenue requirements in the jurisdictional cost-of-service study when determining the public utility's Wisconsin retail revenue requirement.

**Note:** The Wisconsin retail revenue requirement of a public utility is the level of forecasted revenues that are necessary for the public utility to recover, from its retail customers in Wisconsin, its just and reasonable costs of providing adequate service and facilities to those customers, as determined by the commission.

**History:** Cr. Register, March, 2000, No. 531, eff. 4-1-00.