

CUB Reporter

Citizens Utility Board Newsletter • Fall 2017

New Look, Expanded Outreach: Exciting Changes in Store at CUB

Citizens Utility Board members will see changes in 2018, as CUB refreshes its look and expands its outreach efforts.

The Citizens Utility Board has been awarded funding designed to help it expand its membership and advocacy for small business and residential customers.

“CUB has worked for decades to go to bat for homeowners, renters, small businesses and farmers,” said Tom Content, CUB executive director. “But too many people and too many businesses don’t understand the important role CUB plays.”

Over the next several months, CUB will launch a new website, enhanced communication and outreach efforts, and unveil a new and engaging look and feel.

“We’re reorganizing CUB both to participate more actively and with more depth in PSC cases, as well as to boost our engagement activities with our membership, focusing on small businesses,” he said.

Part of this reimagining of CUB comes through the addition of utility analyst Corey Singletary, who joined our staff in July. CUB hired Singletary, an analyst at the Public Service Commission for the past seven years, as part of a move to enhance its in-house expertise to participate in utility rate cases.

“I’m excited to join the CUB team. The utility industry has entered an historic period of transformation.” Singletary said. “Much as CUB is evolving, the coming years will bring an opportunity to reimagine the relationship between utilities and their customers. Throughout this transition, organizations like CUB will be vital in ensuring that the customer’s interests remain front and center. I look forward to the challenge”

CUB traditionally relies on industry consultants from around the country to help it analyze utility proposals. Having in-house technical staff will help enhance CUB’s ability to participate in a variety of electric, natural gas and water utility cases at the PSC. CUB will continue to hire

consultants whose expertise can add value to our work.

Since joining the CUB in July, Singletary has helped with our advocacy work in cases involving We Energies and Wisconsin Public Service as well as Xcel Energy’s Northern States Power utility in Eau Claire. In addition, Singletary has been working this fall to make sure rates are designed fairly for small businesses and residential customers of smaller utilities such as Menasha, Shawano and Kaukauna.



CUB executive director Tom Content addresses grid modernization and customer concerns during a power sector dialogue panel sponsored by the Customers First! Coalition. The event features a presentation by PSC Chair Ellen Nowak.

Thanks to a grant from Argosy Foundation of Milwaukee, CUB members will see a variety of changes in the coming months and during 2018. Among them:

- **WISCUB.ORG:** We’ll be rolling out a brand new website with opportunities for members and other utility customers to engage with CUB to help understand their utility bills and how the utility landscape is changing.
- **PUBLIC OUTREACH:** CUB will be more visible across the state, seeking to help members and other customers understand not only the important role

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Richard Storck



www.wiscub.org
608.251-3322
Staff@wiscub.org



From the Executive Director

We're back from the brink.

Your customer advocacy group, the Citizens Utility Board, went through some trying times in the past few years.

State budget cuts delivered a blow to an organization that had been receiving \$300,000 a year for its operations. Over the span of the past two years, CUB contemplated staffing and budget cuts and the very survival of the organization.

But you responded, and so did state policymakers:

First, when CUB reached out with a special appeal, **you stepped up and helped support CUB** with an extra oomph of support. Those donations helped keep our member donations strong even as we struggle to expand our membership ranks.

Next, the state's utilities, Public Service Commission, other energy stakeholders and Gov. Scott Walker all **agreed to a funding boost that partially restored the funding cuts** implemented in 2015.

The state budget that Gov. Walker signed into law in September calls for \$742,500 a year in funding for groups that advocate in utility cases at the state Public Service Commission. That's about double the level of funding from the past two fiscal years, but still \$300,000 below where the fund stood in 2013 and 2014.

As the new leader of CUB, I'm gratified by your support, and glad to know that the critical role CUB plays on behalf of homeowners, renters and small businesses is recognized both in Madison and around the state.

But enough about the past. It's time to look ahead.

And as you'll read about in this newsletter, we're continuing to push



on several fronts. We have instituted a new business model that aims to help CUB engage more actively in more cases at the PSC. We have been awarded a grant that will help us expand our membership ranks, with the aim of adding more residential members and a core group of small business members.

You'll see changes in the months and years ahead, as CUB approaches its 40th birthday.

Over the years, CUB's work has saved customers billions of dollars – more than \$3 billion just since 2008, in fact.

Future correspondence from us will feature a new look, a new website, a refreshed CUB logo and expanded outreach through a variety of forms.

Sure, you'll see us quoted in the media from time to time. But be sure to like us on Facebook and follow @CUBWI on Twitter to keep up with our evolution.

That doesn't mean we're not as busy at the PSC and the Legislature as we've always been.

We fought for residential and small business customers to craft a better deal out of the 2018-19 rate

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CUB is a member-supported, nonprofit organization whose purpose is to:

- Provide public interest legal services to ensure effective and democratic representation of residential and small business utility customers before the legislature, regulatory agencies, and the courts;
- Advocate for reliable, affordable, and sound utility service; and
- Educate consumers on utility service through the preparation, compilation, analysis, and dissemination of information and resource materials relating to utility regulation and public energy and telecommunications policy.

Citizens Utility Board

6401 Odana Rd., Suite 24
Madison, WI 53719



608.251.3322
608.251.7609 fax
800.657.4727



<http://www.wiscub.org>
staff@wiscub.org

WEC Rate Plan Locks in High Rates

The commissioners at the Public Service Commission punted the big decisions down the road, and left most We Energies customers with rates that are just too high for two more years.

In September, the Commission approved We Energies “take it or leave it” rate freeze deal. In offering a settlement, We Energies wanted to retain its high profits and keep from opening its books for review by the Commission in a full rate case.

In addition, some of We Energies’ largest customers lobbied hard for the settlement since they would be insulated from We Energies’ high rates. The Commission allowed millions of dollars of giveaways to large customers — creating essentially a “forever” discount on their energy prices.

To make matters worse, We Energies even tried to keep CUB from making its own case on the proposal. They essentially told the Commission — the regulatory agency that oversees all utilities — that it was their way or the highway, its own approach was the only way to go, the only proposal that they would accept.

Yes, that’s right: The regulated company was telling the regulator what it would accept — and to dismiss the customers’ voice.

PSC staff as well as the major customer groups had reservations about this deal and put together reasonable alternatives for the Commission to consider.

- We told the Commission that the



We Energies Presque Isle Power Plant in Marquette Michigan.

utility’s tax scheme — billed as a solution to help keep costs from rising during the freeze — creates a bigger problem that will cost customers much, much, more in the years ahead.

- We told the Commission that it should do what it’s done with other utilities in the state and reduce We Energies’ profits below 10%.
- We told the Commission to deal with big costs now because waiting could deliver hundreds of millions of dollars in rate shock over the next 50 years.
- We told the Commission to decide, once and for all, that Wisconsin customers shouldn’t have to foot the bill for costs linked to a coal plant and giant iron ore mine in the Upper Peninsula of Michigan. These are clearly the responsibility of Michiganders, not a coffee shop owner in Appleton, a homeowner in New Berlin, or a renter in Milwaukee’s Riverwest neighborhood.

But the Commission fumbled

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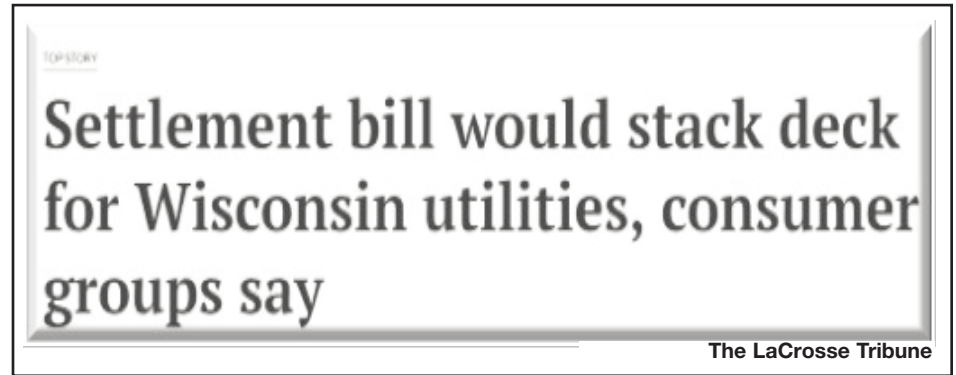
CUB Fights for Changes to PSC Settlements Bill

The Citizens Utility Board is seeking changes to proposed legislation that aims to create a framework for settlements of utility cases at the Public Service Commission.

The legislation, introduced in October at the request of We Energies, Wisconsin's largest utility, would allow the PSC to approve non-unanimous settlements agreed to by a utility and some groups, but would not provide any safeguards to ensure that non-settling parties be given a fair opportunity to be heard. In its rate case settlement filed earlier this year We Energies asked the PSCW to deny CUB *any* funding to participate in the case. Fortunately, but only after CUB vigorously objected, the PSC ultimately rejected We Energies' request. Now, We Energies wants to tilt the playing field further in its favor by having the Legislature pass a law that could make it even harder – if not impossible – for CUB to review, evaluate, and if need be challenge utility rate proposals.

CUB Executive Director Tom Content spoke at Assembly and Senate committee hearings seeking changes to make the proposal more workable.

As it stands now, the legislation would put utilities in the driver's seat to develop settlements in conjunction with another group, such as industrial customers, and leave CUB



and its members with not enough time or information to analyze the impact of a settlement on its small business members and residential utility customers.

As Content explained at the hearing, for CUB to review a proposal it needs both time and expertise as well as access to information that utilities customarily file in utility cases.

This bill doesn't give a group like CUB enough time, or the ability to use the traditional process at the Public Service Commission to hire experts to assess whether the settlement is in its members' and the public interest.

Under the proposed legislation, groups such as CUB that don't sign on to a settlement would be given 30 days to decide whether to accept or object to the proposal, and only as much information as the settling parties want to provide. Under CUB's suggested changes, that timeline would be extended to 60 days, and utilities would be required to provide non-settling parties adequate

information to evaluate the reasonableness of the settlement from the ratepayers' perspective.

The state Assembly passed the proposed legislation in early November. CUB is continuing to work with policymakers in the state Senate to work to improve the proposal.

CUB is no stranger to settlements, having reached multiple settlements with multiple utilities over the years that benefited customers. As a result, CUB views this proposal as a solution in search of a problem. Given the bill's being sought by We Energies – and that utility got most of what it wanted in the case this year – CUB's concerned that this proposal will pave the way for the PSC to be giving WEC blank checks in the years to come.

As Content said at the Capitol hearings: "This new process is being proposed at a time when Wisconsin is rated as having one of the most shareholder-friendly regulatory structures in the country – and among the highest electricity rates in the country."

Xcel Seeks Increase for 7th Straight Year

CUB continues fight against higher fixed customer charges

Xcel Energy is seeking to increase natural gas and electric rates as well as increase the fixed charge on customers' bills again in 2018.

In May 2017 Xcel filed an application for an increase of \$24.7 million, or 3.6% on electric bills, and a natural gas increase of 10.1%, or \$12 million. This marks the seventh straight year that the Eau Claire utility has sought to increase electric rates.

CUB got involved in the case to assess whether an increase is warranted. We hired an expert witness to evaluate Xcel's requested profit rate, or return on equity, and its financial capital structure. In addition, CUB utility analyst Corey Singletary evaluated the utility's proposed increase in the fixed charge and made recommendations on how any increase should be divvied up among the utility's customers.

A decision on the case is expected by the end of 2017, with new rates slated to take effect in January.

Currently, Xcel's rates for a typical residential customer are below the average of all the state's five major investor-owned utilities.

Here are some key recommendations from CUB in this case:

- **Reduce profits:** Xcel requested that the return on equity be kept at 10%, the same as 2017. CUB witness Randy Woolridge argued that the utility should receive no more than 9%. Woolridge and the staff at the PSC also recommended changes in the utility's financial structure to benefit customers.
- **Hold the line on the fixed charge:** Xcel has once again requested an increase in the monthly fixed charge for residential and small business customers. In 2015 Xcel asked to increase residential monthly charges by more than 115% for electric customers, from \$8 per month to \$17.25. Xcel made a similar request to increase fixed charges for small business customers. Over the objection of customer groups like CUB, the PSC gave Xcel most of the increase it asked for, and now the company is back for the rest. CUB argued against further increases in Xcel's fixed customer charge as the utility is over-collecting actual fixed costs, and because it would discourage conservation and disproportionately hit the pocket-books of customers who use less energy than their neighbors. Xcel's proposal would increase

the electric customer charge to \$17 per month for residential and small commercial customers starting January 2018 – an increase of 21% over present rates, and an increase of over 112% since 2015.

- **Fairly split the check:** If an increase must be authorized, CUB has advocated that the increase should affect all utility customers in a fair and equitable manner. CUB has put forth a proposal for divvying up a rate increase that strikes a fair balance between the different positions put forth in the case. Xcel, large industrial customer advocates, and even PSC staff have all proposed that residential and small business customers should bear the majority of any increase granted to Xcel.
- **Keep customer bills simple:** Xcel has proposed to unbundle residential and small commercial energy charges into two separate charges. The utility has argued that doing so will facilitate new rate design options, but hasn't indicated what it has in mind. CUB has concerns that this change will simply make utility bills more confusing for Xcel's customers without any benefit in return. CUB advocates for keeping Xcel's rate structure the way it is until a complete proposal can be evaluated.

As you are making your estate plans please keep CUB in mind.

wiscub.org/Planned-Giving

From the Executive Director

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plan proposed by We Energies and Wisconsin Public Service Corp.

CUB, working with the Wisconsin Industrial Energy Group, sought changes that would have saved customers money, both in 2018 and in the years ahead.

I can't say I'm happy with the outcome of the We Energies case. The PSC's decision leaves rates too high – with We Energies seventh highest among 49 utilities in the Midwest. And we believe the PSC's decision to make permanent the discounts received by some of the utility's largest customers was misguided, ending up locking in rates that are far too high for corner stores, restaurants and other small businesses while locking in big breaks for a small number of large customers.

We lobbied in the Legislature to improve a settlements framework included in a fast-moving piece of legislation pushed by the Public Service Commission and WEC Energy Group, the parent of We Energies and WPS.

We believe the bill, which the assembly passed in early November, creates extra burdens

and unworkable timelines for CUB and other customer groups who may have concerns about utility settlement proposals. I testified in the Assembly and Senate committees and suggested some reasonable changes that would have made a settlements process more feasible from the customers' point of view.

As we look ahead to 2018, we're gearing up for more change, both at CUB and in the broader energy sector. We're living in a time of rapid technological change, and the utility sector's not immune.

Despite all that change, two things remain constant. We remain on your side, advocating for fairness in rates and safe and reliable utility service.

And the other? It's you. We know you're been there for us. If you want to help CUB reassert itself as the utility industry changes, please consider these simple requests:

Consider giving a little more and give the gift of CUB. If you are able, please consider a tax-deductible donation to CUB before

the end of the year. And if you've given \$35 in the past, why not boost it to \$50? You can give a gift of CUB to a friend or family member for \$50 and above using the enclosed envelope.

Spread the word. The more customers are there for us, the stronger we are. So please tell a friend, neighbor or co-worker about why you're there for CUB. One thing that surprises me when I talk to folks is how many folks don't even know that we're there for you, giving the monopoly utility system we have the balance it desperately needs. Of course, we know you know that. But does your sibling? Does your neighbor? Your teammate? Your local coffee house or corner tavern? Boosting our membership ranks lightens the load for everyone!

Stay engaged. Consider writing letters to the editor about energy issues, or filing a public comment the next time your utility wants to raise your rates.

Stay tuned. There are plenty of exciting changes to come and we'll be keeping you posted as we evolve.

***CUB saves over
\$100 for every
\$1 contributed***

WEC Rate Plan Locks in High Rates

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this golden opportunity, laid on a platter by its own staff and CUB, to significantly reduce the costs that now threaten customers' rates in the year 2020 and beyond.

Though the outcome of the case was disappointing, there were a few areas that the PSC decided that will be helpful for customers in the years ahead:

- First, the Commission saved customers \$16 million by cut-

ting the return We Energies can earn on the money that it's collected to keep a Michigan power plant on Lake Superior running.

- Next, the Commission agreed to investigate whether Wisconsin customers should even be billed for those costs – hundreds of millions of dollars that CUB thinks should be paid by the big mining company in the Upper Peninsula and other Michigan customers, not Wisconsin customers.

- Finally, the Commission agreed to evaluate whether the bonus depreciation tax-saving strategy We Energies used in recent years ended up leaving utility profits – and customers' bills – far too high.

By endorsing permanent discounts for large customers, the Commission has provided no real benefits to residential and small business ratepayers, and in fact will add significant new costs in the years to come.

New Look, Expanded Outreach

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CUB plays but also to provide customers with an update on energy trends and ways to control their utility bills.

- **SOCIAL MEDIA:** CUB will be establishing a broader digital presence. You'll see us more active on Facebook, Twitter, LinkedIn ... and we'll be exploring new ways to spread our message.
- **SMALL BUSINESS MEMBERSHIP:** Some of the largest companies in the state have representation before the PSC. But many don't know that small businesses do, too – thanks to CUB. Through a targeted membership drive, we'll reach out to Main Street and other small businesses to build a base of business members who support CUB's goals of ensuring affordable, reliable and safe utility service. And we'll be

looking to engage with employees of businesses to help them understand their utility bills and find ways to save.

There's more in store, too. We'll keep you posted on the changes in future newsletters. In the meantime, be sure to connect with CUB on your preferred digital platform. If you haven't already, we encourage you to join CUB's Action Network in order to receive the latest news and updates via email.

To help us prepare for that, we'd like you to think of questions you have about your utility, your utility bill, or how Wisconsin's energy system and policymaking works. Send us your questions via email to staff@wis-cub.org, on Twitter via [@CUBWI](https://twitter.com/CUBWI), or on Facebook.

In one area where the Commission agreed with CUB, the Commission decided that a study should be done by 2020 to evaluate the costs and benefits of these market-based discounts for industrial customers. CUB believes a robust analysis is needed, but that the Commission's approach is shortsighted by making those discounts permanent *before even starting that analysis*.

All of We Energies' more than 1 million homeowners and renters plus thousands of corner stores and other small businesses pay way too much for electricity. For residential customers, the rates charged by the Milwaukee utility rank *7th highest in the Midwest*.

That's why for CUB just freezing rates isn't the answer.



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It's easy! Find the return envelope provided in this newsletter. With a check of \$50 or more please fill in your name and address and provide the name and address of the person to whom you'd like to donate a gift membership.

We'll take it from there by sending them a welcome package from CUB indicating that you have provided them with the Gift of CUB for one year.

In doing so you will help CUB reach out to more Wisconsin utility customers who need an advocate to fight for their interests against the utilities' endless schemes.

Thanks for your support!

