

# Citizens Utility Board Annual Report

January 1 - December 31, 2014

## CUB – Working to CUT Utility Costs!

In 2014, CUB worked on your behalf to cut at least \$168 million out of utility bills by intervening in more than two dozen cases before the Public Service Commission of Wisconsin. CUB fought excessive utility rate increase requests and unneeded utility construction projects. CUB hammered out agreements that reduced utility rate increases by tens of millions of dollars and set earnings caps on utility profits – if certain utilities exceed their authorized profit margin, money flows back to customers!

CUB fought shocking proposals by numerous utilities to increase monthly fixed customer charges for electric and gas utility services. CUB also fought Wisconsin Energy Corporation's \$9.1 billion takeover of Integrys to try to ensure that Wisconsin customers received quantifiable monetary benefits from the merger. It was a very busy year. But because of your generous contributions and support CUB was able to cut millions of dollars out of Wisconsin utility bills in 2014!

### **Summaries of CUB's 2014 Cases before the Public Service Commission of Wisconsin**

Below are summaries of a select sample of cases CUB intervened in before the PSC in 2014. Each case is identified by a "docket number," which is included in the title of each case summary. You can view most of the documents submitted in each case, including CUB's expert testimony and legal filings, by entering the docket number on the PSC website, [psc.wi.gov](http://psc.wi.gov).

### **CUB Battled We Energies – Helped Cut Utility Bills by \$124.5 Million!**

#### **We Energies 2015 Rate Case, 5-UR-107**

CUB started off 2014 by hammering out an agreement that slashed millions of dollars from We Energies' customer rates in 2015. Following months of negotiations, CUB (along with other stakeholders) entered into a settlement agreement with We Energies drastically reducing its 2015 forecasted revenue requirement by cutting costs by \$82.6 million. At PSC hearings, CUB also raised issues regarding the costs

and revenues associated with We Energies operation of the Presque Isle power plant that were not part of the settlement agreement.

In December 2014, the PSC issued an order agreeing with CUB that 2015 costs and revenues associated with Presque Isle should be deferred, reducing We Energies' electric revenue requirement by an additional \$41.9 million! CUB's efforts in this case resulted in savings to We Energies' ratepayers of \$124.5 million!

### **CUB Negotiated Two Year Rate Freeze and Utility Earnings Cap for WPL – Saved Customers Millions!**

#### **WPL Rate Case, 6680-UR-119 and Fuel Case, 6680-FR-107 for 2015**

Early in 2014, CUB and other stakeholders began negotiations with Wisconsin Power and Light Company (WPL) regarding its electric and natural gas rates for 2015 and 2016. The negotiations resulted in WPL agreeing to not increase electric and natural gas base rates in 2015 and 2016. In addition, WPL agreed to continue an earning sharing mechanism put in place in 2013. This means that if WPL over-earns during 2015 and 2016 profits will be shared with customers!

CUB's advocacy generated \$15.6 million of ratepayer savings associated with an ROE reduction from 10.4% to 10.2%, continued deferral of economic development costs, and customer sharing of utility over-earnings in 2013. In addition, CUB's advocacy resulted in \$14.1 million in customer savings due to CUB's objection to early recovery of 2014 fuel costs and costs associated with the Bent Tree wind farm.

### **CUB Helped Cut WPSC Utility Bills by \$11.5 Million!**

#### **WPSC 2015 Rate Case, 6690-UR-123**

In the spring of 2014, Wisconsin Public Service Corporation (WPSC) filed an application with the

# From the Executive Director

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What a difference a few months makes. As I look back to this past Spring's Newsletter and reflect on the year 2014, I'm struck by how much has happened and how much has changed. First and foremost, a heartfelt thank you to all who answered our call for support after the legislature's Joint Finance Committee proposed to slash funding that has historically been available to CUB. Your swift and generous response helped tremendously to carry us through this very difficult time.

Now, as the dust is settling and we're taking stock of the situation, I unfortunately have to report that CUB's situation remains dire. The end result of the state budget process is that CUB is allowed to apply for an annual grant from the Public Service Commission (as it has done for the last several years) to help support CUB staff's operations, and CUB is able to continue to apply for Intervenor Compensation from the Commission on a case-by-case basis for things like outside expert consultants, but the money available to fund those grants has been cut by nearly two-thirds.

CUB is constantly seeking alternative sources of funding to continue its mission of advocating for affordable and reliable service for residential and small business utility customers, but securing reliable funding remains difficult. No other state in the country uses a funding model like CUB's, even though 46 other states and the District of Columbia each have at least one ratepayer advocate office doing the work that CUB does. All but one of those states house their ratepayer advocate office in state government, either as a stand-alone independent agency, a division within the attorney general's office, or, least commonly, as an independent division within the state's public utilities commission.

In the coming months, CUB will be evaluating options to enable it to continue to fight for you before the Public Service Commission, the



courts, and the legislature. Meanwhile, I invite you to review this annual report that showcases the more than \$160 million we were able to help you save in 2014 and that highlights some of the exciting and challenging cases coming up this year and next. This newsletter also contains an envelope that you can use to send us your email address, any comments you may have on CUB or our work, and to vote for CUB's board of directors. If you have the means to drop a donation in the envelope as well, that will help CUB to keep up the fight as we work to identify the next steps to try to even the playing field back toward residential and small business customers and away from the utilities and big businesses.

CUB is committed to fighting for you and a fair, just and reasonable regulatory system as long as we are able, and we cannot thank you enough for your support!

***CUB - Your  
Utility  
Watchdog***

# CUB – Working to CUT Utility Costs!

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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

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PSC to increase electric rates by \$76.8 million in 2015, an 8% increase! WPSC also requested authority to increase the fixed monthly residential electric customer charge from \$10.40/month to \$25/month, a shocking increase of 140%.

CUB filed testimony with the PSC opposing WPSC's proposal to increase the customer charge because it would unfairly increase bills for residential customers that used minimal amounts of electricity, send the wrong price signal to customers wanting to save energy, and result in a subsidization of residential customers that used large amounts of electricity. CUB argued there should be no increase in the customer charge for residential and small business customers.

CUB also argued that WPSC should not be able to collect \$9 million from ratepayers to pay for utility employee incentive compensation programs, or collect costs for new computer software that WPSC wasn't able to show a need for.

In December 2014, the PSC issued an order decreasing WPSC's rate increase request by \$52.2 million; denied ratepayer payment for \$9 million of utility employee incentive compensation costs; cut computer software costs by \$2.5 million; and decreased WPSC's request to raise the residential customer charge from \$25/month to \$19/month. CUB's work helped save WPSC ratepayers \$11.5 million!

## CUB Fought Excessive Monthly Customer Charges Proposed by MGE!

### **MGE 2015 Rate Case, 3270-UR-120**

In April 2014, Madison Gas and Electric Company (MGE) filed an application with the PSC to increase electric rates in 2015 by \$11.5 million, a 2.8% increase. MGE also proposed to increase the fixed monthly residential electric customer

charge for electric service (what a customer pays even if they don't use any electricity) from \$10.44/month to \$21.83 per month in 2015, to \$48.65/month in 2016, and forecasted charging residential customers a fixed charge of \$68.69/month starting in 2017!

Given its great concern that increasing fixed monthly charges harms low use customers (who are often low income customers) and creates disincentives for energy efficiency, conservation, and distributed generation, CUB worked with MGE to eliminate the 2016 and 2017 proposals and to reduce the 2015 proposed customer charge increase to \$19. In addition, CUB and MGE agreed to work together to explore alternative ways for the utility to fairly and appropriately recover MGE's costs to serve customers and to harness the benefits of evolving distributed generation for the benefit of all customers.

## CUB Worked to Cut NSPW Rate Increase and Cap Utility Profits!

### **NSPW 2015 Rate Case, 4220-UR-120**

In the spring of 2014, CUB worked with Northern States Power Company – Wisconsin (NSPW) to reduce the utility's proposed 3.2% electric rate increase for 2015 and for excess utility earnings to be refunded to customers. As a result of the discussions, NSPW agreed to refund customers excess revenues it receives in 2015 above its authorized return of 10.2%. NSPW also agreed to not increase its fixed monthly customer charges for residential and small business customers in 2015. As a result, CUB agreed that NSPW's electric rate case could focus on production and transmission costs, and updates to fuel and purchased power costs. The PSC issued an order in December approving a 2.2%

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## 2014 Supporting Businesses & Organizations

AFSCME Milwaukee District Council #48	Federighe Services LLC	Illinois Tool Works Foundation Matching	United Steel Workers of America Local
Community Shares of Wisconsin	Fox Creek Exchange Ltd	Gift	1343
Cooper Industries Foundation Matching	GE Foundation Matching Gift	Lake Michigan Wind & Sun Ltd.	Viking Electronics
Gift	Greater West Central Area Labor Council	Oconomowoc Realty	Wisconsin Energy Conservation
Culligan Water Conditioning	AFL-CIO	Public Service Commission of Wisconsin	Corporation
Fanning Cranberry Company Inc		Skillrud LLC	Wisconsin State Historical Society

# CUB – Working to CUT Utility Costs!

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increase in electric rates, and no change in natural gas rates.

## CUB Opposed \$75 Million Project at Multi-Billion Dollar Elm Road Generating Station!

### **Multi-Million Dollar Coal Plant Redesign, 5-CE-145 and 5-CE-147**

In July 2014, We Energies, Madison Gas and Electric Company, and WPPI Energy applied to the PSC for approval to charge ratepayers approximately \$26.5 million to redesign the Elm Road Generating Station (ERGS) to burn new blends of coal. In October 2014, the utilities also requested approval to charge ratepayers approximately \$75 million to increase the size of the coal storage area at the ERGS site.

ERGS is a stupendously expensive power plant, projected to cost ratepayers approximately \$9 billion over 30 years! To reduce costs to customers, CUB filed expert testimony calling out significant shortcomings in the utilities' requests. Though there may be cost-savings due to burning new blends of coal, CUB found the \$75 million of costs associated with increasing the ERGS coal storage area to be unreasonable. In December 2014, the PSC approved the utilities' proposals to burn new blends of coal and to increase coal storage at ERGS.

## CUB Testimony Challenged Need for \$120 Million Component of Bay Lake Transmission Line Project

### **ATC's Bay Lake Transmission Project, 137-CE-166**

In May 2014, American Transmission Company (ATC) sought approval from the PSC to construct the Bay Lake transmission project between Appleton and Oconto Falls, Wisconsin. The project consisted of 138 kV and 345 kV high-voltage transmission lines that would traverse a route approximately fifty miles long at an estimated cost of \$307 to \$327 million.

Originally, ATC proposed a larger Bay Lake project that included constructing transmission lines in the State of Michigan. CUB was instrumental in scaling back the size of that project when ATC proposed it to the regional electric grid operator, MISO, in late 2011. The cost for the original project was approximately \$1 billion!

In this case, the PSC considered new transmission lines only in Wisconsin. CUB submitted testimony to the PSC challenging the validity of ATC's claim that the \$120 million 138 kV component of the Bay Lake project was needed to preserve electric reliability in Wisconsin, and

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## Utility Names

Over the years, utilities operating in Wisconsin have changed the names by which they do business. Nevertheless, they still use their older, formal names at the Public Service Commission.

Here's a quick guide for the larger utilities. If you want to review a utility's information at the Public Service Commission, be sure to use the formal name.

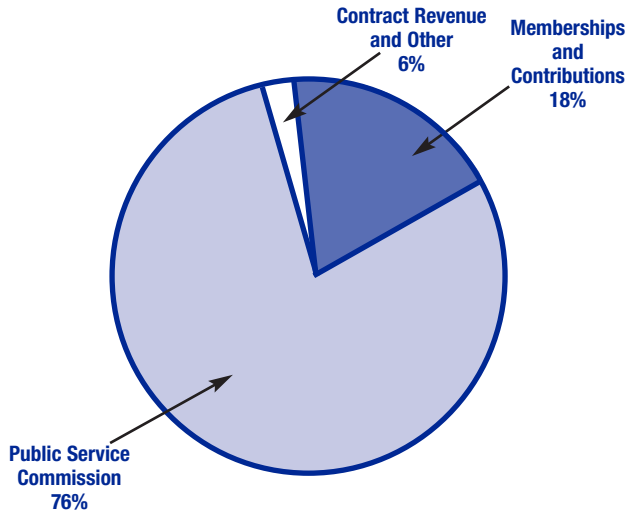
<u>Does Business As</u>	<u>Formal Name</u>
Alliant Energy	Wisconsin Power & Light
AT&T	Wisconsin Bell
Madison Gas & Electric	Madison Gas & Electric
We Energies	Wisconsin Electric Power Company
We Energies	Wisconsin Gas
Wisconsin Public Service Corporation	Wisconsin Public Service Corporation
Xcel Energy	Northern States Power



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

# 2014 Financials

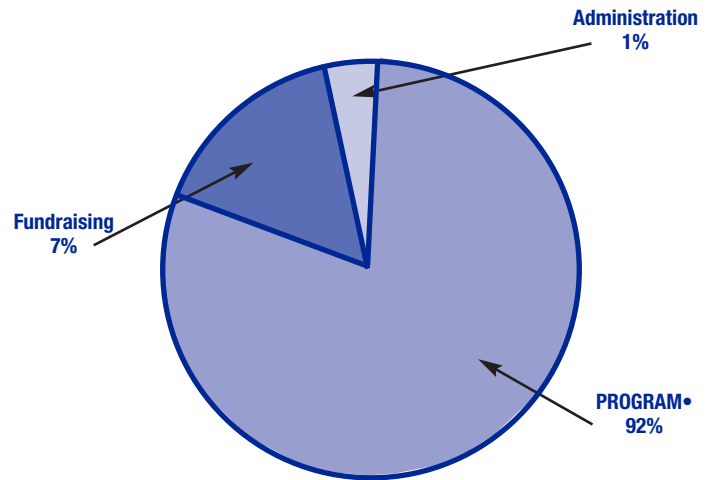
2014 Income by Source



**2014 Income by Source**

Memberships & Contributions	\$136,522	18%
Public Service Commission	\$584,655	76%
Contract revenue and other	\$ 50,154	6%
<b>Total</b>	<b>\$771,331</b>	<b>100%</b>

2014 Expenses by Source



**2014 Expenses by Source**

Programs*	\$666,420	92%
Administration	\$ 9,204	1%
Fundraising	\$ 48,761	7%
<b>Total</b>	<b>\$724,385</b>	<b>100%</b>

**\*Program Expenses by Activity**

PSC Intervention	\$566,059	85%
Consumer Education	\$ 48,001	7%
Energy Policy	\$ 49,851	7%
Lobbying	\$ 2,509	1%
<b>Total</b>	<b>\$666,420</b>	<b>100%</b>

ASSETS

Current Assets

Cash	\$ 129,504
Contributions receivable	2,210
Contract receivables	<u>104,098</u>
<b>Total current assets</b>	<b>235,812</b>

Fixed Assets

Office equipment	22,242
Less: accumulated depreciation	<u>-22,242</u>
<b>Net fixed assets</b>	<b>0</b>

**TOTAL ASSETS** \$ 235,812

LIABILITIES & NET ASSETS

Current Liabilities

Accounts payable	\$ 115,381
Accrued retirement plan payable	1,696
Accrued compensation absences	<u>17,119</u>
<b>Total current liabilities</b>	<b>\$ 134,196</b>

Net Assets

Unrestricted:	\$ 101,616
Temporarily Restricted	<u>0</u>
<b>Total net assets</b>	<b><u>101,616</u></b>

**TOTAL LIABILITIES & NET ASSETS** \$ 235,812

# CUB – Working to CUT Utility Costs!

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whether alternatives to the proposed project would provide a comparable level of reliability at a lower cost.

In May 2015, the PSC approved the 138 kV and 345 kV components of ATC's Bay Lake project at an estimated cost of \$327 million.

## **CUB Fought for Ratepayer Benefits from Multi-Billion Dollar Wisconsin Utility Merger!**

### **WEC Acquisition of Integrys, 9400-YO-100**

In August 2014, We Energies' parent company, Wisconsin Energy Corporation (WEC), applied for PSC approval to acquire Wisconsin Public Service Corporation's (WPSC) parent

company, Integrys Energy Group, Inc., for \$9.1 billion. Nearly three million electric and natural gas customers in Wisconsin are impacted by the takeover. The takeover impacts utility rates and the quality of electric and natural gas service in 62 of Wisconsin's 72 counties. To receive approval from the PSC, WEC, by law, was required to prove that its proposal was in the best interests of We Energies' and WPSC's ratepayers. However, WEC did not promise to provide any real, tangible benefits for customers from the multi-billion dollar merger!

CUB submitted testimony that the takeover should be denied unless the PSC imposed conditions that provided real savings and protections to customers. CUB testified that an

earnings cap should be set so that if We Energies and WPSC earned more than their authorized profit return the over-earnings would flow back to customers. CUB also fought to prevent customers, if the takeover was approved, from paying for hundreds of millions of dollars of escrowed electric transmission costs.

The PSC recently approved the WEC-Integrys takeover with conditions that do not provide quantifiable benefits to customers.

## **CUB Filed Lawsuit to Prevent We Energies' Residential Ratepayers from Subsidizing Big Business in Milwaukee!**

### **Valley Power Plant, 6630-CU-101**

In April 2014, CUB sued the PSC regarding its decision in the Valley Power Plant conversion case. We Energies had requested authorization from the PSC to make major modifications to the Valley plant at a cost of \$80 million, and to charge the majority of the cost to electric customers. The Valley plant is located in downtown Milwaukee and is used primarily by 450 large businesses to provide steam for heating and industrial purposes. CUB argued that We Energies' plan would almost exclusively benefit steam customers, and not residential electric customers; and that electric customers should not have to pay the vast majority of the costs for a utility plant that they do not need and will not use. Still, the PSC approved We Energies' allocation of the majority of costs to electric customers. In May 2015, the court sided with the PSC.

**CUB – fighting  
the utilities,  
fighting for  
you!**



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## It's Election Time for the CUB Board of Directors!

Current CUB members in good standing (that is, those who paid their membership dues since 2013) are entitled to vote in this election.

The candidate is CUB Board President Russell Wallace, who is running for his third term on the CUB Board. The CUB Board of Directors recommends and endorses the re-election of Russell. Please see his biography below.

Please use the ballot envelope enclosed with this annual report to cast your vote. Please mail your ballot by November 1, 2015.

**Russell Wallace** of Madison

seeks reelection to the CUB Board of Directors. Russell was appointed to the Board in October 2008, elected in June 2009, and now serves as Board president. He believes in CUB's mission to represent groups that otherwise would not have a voice in the utility regulation process. "Regulated monopolies only work when every stakeholder has a seat at the table, so CUB is essential in helping the PSC properly balance the interests of consumers and utilities," said Russell. He is an electronic design engineer currently working on sci-

ence payloads for the International Space Station, and on life support systems for the next generation of US manned space vehicles. Russell has a degree in electric engineering from Cornell University in Ithaca, NY.

