

SERVICE DATE
Dec 09, 2021

PSC REF#: 427099

Public Service Commission of Wisconsin
RECEIVED: 12/09/2021 1:05:00 PM

PUBLIC SERVICE COMMISSION OF WISCONSIN

Application of Wisconsin Public Service Corporation for Approval of its
2022 Fuel Cost Plan

6690-ER-105

FINAL DECISION

This is the Final Decision in the application of Wisconsin Public Service Corporation (applicant) for approval of its 2022 Fuel Cost Plan and for authority to increase Wisconsin retail electric rates in accordance with its 2022 Fuel Cost Plan.

The applicant's 2022 Fuel Cost Plan is approved subject to conditions and modifications in this Final Decision. The total Wisconsin retail electric revenue increase is \$50.0 million or 4.8 percent based on current retail revenue.

Introduction

On June 1, 2021 the applicant filed an application under Wis. Stat. § 196.20(4) and Wis. Admin. Code § PSC 116.03 for its 2022 Fuel Cost Plan for generating electricity. The applicant requested fuel cost recovery of \$23.74 per megawatt-hour (MWh), which represents an electric revenue decrease of \$5.2 million on a retail basis, or 0.5 percent, from the amount the Commission authorized in the Final Decision in docket 6690-ER-104, relating to the applicant's 2021 Fuel Cost Plan. ([PSC REF#: 401903.](#))

The Commission held technical and public hearings on September 15, 2021. The Commission considered these matters at its open meeting of November 4, 2021. The parties, for purposes of review under Wis. Stat. §§ 227.47 and 227.53, are listed in Appendix A.

Findings of Fact

1. The applicant is an investor-owned electric and natural gas public utility as defined in Wis. Stat. § 196.01(5)(a), providing electric service to eastern Wisconsin.
2. It is reasonable to forecast an increase in the applicant's 2022 monitored fuel costs by \$49,970,383 on a retail basis.
3. It is reasonable to set the applicant's 2022 Fuel Cost Plan level at \$365,205,518, or \$28.97 per MWh, as shown in Appendix C.
4. It is reasonable to establish an annual fuel cost tolerance bandwidth of plus or minus 2.0 percent for monitored fuel costs.
5. It is reasonable to reflect the revenue requirement impact of Commission staff's fuel cost update containing New York Mercantile Exchange (NYMEX) futures settlement prices as of October 13, 2021, for natural gas, heating oil, and the Argus Powder River Basin for spot coal as of October 15, 2021, to forecast the applicant's 2022 monitored fuel costs.
6. It is reasonable to remove the off-peak bid adder for Fox Energy Center.
7. It is reasonable to accept Commission staff's proposed reduction of approximately \$3.1 million to reduce the cost of activated coke.
8. It is reasonable to incorporate all other Commission staff uncontested adjustments to the applicant's forecasted 2022 monitored fuel costs.
9. It is reasonable to allocate the increase in fuel cost approved by the Commission to various customer classes based on energy usage.
10. It is reasonable to approve rate changes for electric service for the 2022 Fuel Cost Plan year as shown in Appendix B.

Conclusions of Law

1. The applicant is a public utility as defined in Wis. Stat. § 196.01(5)(a).
2. The Commission has authority under Wis. Stat. §§ 196.02, 196.03, 196.20, 196.37, 196.39, 196.395, and Wis. Admin. Code ch. 116 to approve the applicant's 2022 Fuel Cost Plan and to place in effect the rates and rules for electric utility service set forth in Appendix B. Such rates and rules for electric service in Appendix B are reasonable and appropriate as a matter of law.

Opinion

Electric Fuel Costs

Pursuant to Wis. Admin. Code § PSC. 116.03, each of the five major, investor-owned Wisconsin electric utilities must file a proposed fuel cost plan for each calendar year, known as the plan year, as part of a general rate case proceeding, or if the utility does not file a general rate case, as a proceeding limited in scope to fuel cost. This fuel cost plan must include a calculation of certain fuel costs as described in Wis. Admin. Code § PSC 116.02, as well as the other information required by Wis. Admin. Code § PSC 116.03(2). After a hearing, the Commission approves the utility's fuel cost plan and establishes the utility's rates in accordance with the approved fuel cost plan. Wis. Admin. Code § PSC 116.03(3).

The Commission finds that a reasonable estimate of the applicant's 2022 Fuel Cost Plan monitored fuel costs is \$365,205,518, which reflects the costs of generation and purchased energy, minus revenues from opportunity sales of energy and capacity. The 2022 monitored fuel costs divided by the 2022 estimate of native energy requirements of 12,606,243 MWh results in an average net monitored fuel cost per MWh of \$28.97. Appendix C shows the monthly fuel costs to be used for monitoring purposes.

It is reasonable to monitor the applicant's fuel costs using a plus or minus 2.0 percent bandwidth, as provided in Wis. Admin. Code § PSC 116.06(3).

Fox Energy Center Off-peak Bid Adder

Commission staff proposed the removal of the off-peak bid adders for Fox Energy Center. ([PSC REF#: 418820](#) at 3:14-16; [PSC REF#: 418816](#).) The impact of this adjustment is a decrease in monitored fuel costs of approximately \$1,295,000 for the applicant. This adjustment lowers locational marginal prices (LMP) in the Midcontinent Independent System Operator, Inc. (MISO) market. Commission staff's proposed adjustment represents a difference between what the applicant modeled in its economic dispatch model and how the applicant is offering its generation into the MISO market. Commission staff proposed this adjustment as it has a material impact on the applicant's fuel costs. Additionally, while there were other generating units in the PROMOD model that had the same off-peak bid adder, the impact of removing those bid adders was not material. The economic dispatch model used by Wisconsin Electric Power Company (WEPCO) and the applicant makes one model run for both utilities. As a "net seller" in the MISO market, WEPCO's monitored fuel costs increase by approximately \$1,023,000 due to the impact of lowered LMPs noted above.

The applicant argued that the difference between the decrease for the applicant and the increase for WEPCO netted to an immaterial amount of \$300,000 for both utilities. ([PSC REF#: 420922](#) confidential, [PSC REF#: 420923](#) public at 2:12-5:10.) Wisconsin Industrial Energy Group (WIEG) did not provide any testimony on this issue, but did argue in its initial brief that the adjustment decreasing the applicant's fuel costs should be made.

The Commission finds it reasonable to authorize the removal of the off-peak bid adder for Fox Energy Center. Commission staff proposed this adjustment in its direct testimony.

Commission staff did not introduce subsequent testimony that rescinded this proposed adjustment. While the net effect of the adjustment may be immaterial, applicant and WEPCO each have separate and independent fuel cost plants, and this adjustment is material to the applicant's fuel costs.

Commissioner Nowak dissents and writes separately.

Weston 3's Activated Coke Costs

Commission staff proposed a reduction to the applicant's forecast of activated coke of \$3.1 million to remove the cost of replacing activated coke from the contracted vendor due to the applicant's anticipation of its vendor not meeting its contractual obligations in 2022. WIEG did not address this issue in testimony, but supported the adjustment in its initial brief.

The Commission finds it reasonable to accept Commission staff's proposed adjustment of a \$3.1 million reduction in fuel costs, as the potential breach of a contract is an internal matter for the utility and not an issue to be addressed by the Commission.

Uncontested Fuel Adjustments and Delayed Fuel Cost Exhibit

The Commission finds it reasonable to accept Commission staff's uncontested fuel adjustments to the applicant's forecasted 2022 monitored fuel costs, and incorporate updated NYMEX futures settlement prices as of October 13, 2021 for natural gas, heating oil, and the Argus Powder River Basin for spot coal as of October 15, 2021. Commission staff proposed the following uncontested adjustments:

- An increase of approximately \$192,000 to reflect the impact of the retirement of the coal-fired Joppa unit;
- An increase of approximately \$15,000 to reflect changes to the Valley units to better serve its customers;

- A decrease of approximately \$872,000 to reflect the updated coal prices;
- An increase of approximately \$14,719,000 to reflect the NYMEX adjustments as of June 30, 2021;
- An increase of approximately \$849,000 to reflect the impact of the transmission planned outage for the Forward Energy wind facility;
- A decrease of approximately \$338,000 to reflect the impact of removing a Columbia planned outage from the 2022 fuel plan year;
- An increase of approximately \$336,000 to reflect lower capacity sales revenues in 2022;
- An increase of approximately \$35,938,000 for updated NYMEX futures for 2022 as of October 13, 2021;
- An increase of approximately \$14,274,000 for updated coal costs as of October 15, 2021 for 2022;
- An increase of approximately \$4,084,000 for the impact of increased coal prices for the MISO footprint in the PROMOD model; and
- An increase of approximately \$1,009,000 for the impact of coal conservation on fuel costs.

The applicant proposed the following uncontested adjustments:

- An increase of approximately \$620,000 to reflect the recent historical on/off-peak generation for the hydro units; and
- An increase of approximately \$93,000 to reflect the need for more calcium bromide for mercury emission control.

After the dates of the spot coal and NYMEX futures prices of June 25, 2021 and June 30, 2021 respectively, used for Commission staff’s filed monitored fuel costs for 2022, both natural gas prices and spot coal prices increased sharply. ([PSC REF#: 424374.](#)) Natural gas futures prices for 2022 escalated approximately 44 percent from June 30, 2021 to October 13, 2021. This in turn created more demand for spot coal, increasing its futures prices for 2022. The demand for spot coal overwhelmed the rail carriers, who had let go significant levels of employees and reduced the number of trains available. Consequently, utilities have had to make do with less than their full complement of ordered coal. In response to that, utilities have needed to conserve their coal piles so they have it available for when the coal is more valuable—in the summer months (June through August 2021).

Revenue Allocation and Rate Design

Both the applicant and Commission staff proposed that the increase in fuel costs from the 2021 fuel cost plan be allocated to the rate classes based on energy usage, which is the typical allocation used for changes in fuel costs. The only difference between the applicant’s proposed revenue allocation and the Commission staff’s proposal was in the forecasted level of fuel costs for the test year. The authorized fuel cost increase, by rate class, is shown in Appendix B.

Order

1. This Final Decision takes effect one day after the date of service.
2. The authorized rate increases and tariff provisions that restrict the terms of service may take effect no sooner than January 1, 2022, provided that applicant files these rates and tariff provisions with the Commission and makes them available to the public, pursuant to Wis. Stat. § 196.19 and Wis. Admin. Code § PSC 113.0406(1)(a) by that date. If these rate increases and tariff provisions are not filed with the Commission and made available to the public by that date,

they take effect one day after the date they are filed with the Commission and made available to the public.

3. The applicant shall revise its existing rates for electric utility service, substituting the rate changes as discussed in this Final Decision section and as shown in Appendix B. These changes shall be in effect until the Commission issues an order establishing new rates and new tariff provisions.

4. The applicant shall prepare bill messages that properly identify the rates authorized in this Final Decision. The applicant shall distribute the bill messages to customers no later than the first billing containing these rates. The applicant shall file copies of these bill messages with the Commission before it distributes the messages to customers.

5. The electric fuel costs in Appendix C shall be used for monitoring of the applicant's 2022 fuel costs pursuant to Wis. Admin. Code § PSC 116.06(3).

6. All 2022 fuel costs shall be monitored using a plus or minus 2.0 percent tolerance band.

7. Jurisdiction is retained.

Dated at Madison, Wisconsin, the 9th day of December, 2021.

By the Commission:



Steffany Powell Coker
Secretary to the Commission

SPC:MAR:cmb:jlt:DL: 01840517

Attachments

See attached Notice of Rights

PUBLIC SERVICE COMMISSION OF WISCONSIN
4822 Madison Yards Way
P.O. Box 7854
Madison, Wisconsin 53707-7854

**NOTICE OF RIGHTS FOR REHEARING OR JUDICIAL REVIEW, THE
TIMES ALLOWED FOR EACH, AND THE IDENTIFICATION OF THE
PARTY TO BE NAMED AS RESPONDENT**

The following notice is served on you as part of the Commission's written decision. This general notice is for the purpose of ensuring compliance with Wis. Stat. § 227.48(2), and does not constitute a conclusion or admission that any particular party or person is necessarily aggrieved or that any particular decision or order is final or judicially reviewable.

PETITION FOR REHEARING

If this decision is an order following a contested case proceeding as defined in Wis. Stat. § 227.01(3), a person aggrieved by the decision has a right to petition the Commission for rehearing within 20 days of the date of service of this decision, as provided in Wis. Stat. § 227.49. The date of service is shown on the first page. If there is no date on the first page, the date of service is shown immediately above the signature line. The petition for rehearing must be filed with the Public Service Commission of Wisconsin and served on the parties. An appeal of this decision may also be taken directly to circuit court through the filing of a petition for judicial review. It is not necessary to first petition for rehearing.

PETITION FOR JUDICIAL REVIEW

A person aggrieved by this decision has a right to petition for judicial review as provided in Wis. Stat. § 227.53. In a contested case, the petition must be filed in circuit court and served upon the Public Service Commission of Wisconsin within 30 days of the date of service of this decision if there has been no petition for rehearing. If a timely petition for rehearing has been filed, the petition for judicial review must be filed within 30 days of the date of service of the order finally disposing of the petition for rehearing, or within 30 days after the final disposition of the petition for rehearing by operation of law pursuant to Wis. Stat. § 227.49(5), whichever is sooner. If an *untimely* petition for rehearing is filed, the 30-day period to petition for judicial review commences the date the Commission serves its original decision.¹ The Public Service Commission of Wisconsin must be named as respondent in the petition for judicial review.

If this decision is an order denying rehearing, a person aggrieved who wishes to appeal must seek judicial review rather than rehearing. A second petition for rehearing is not permitted.

Revised: March 27, 2013

¹ See *Currier v. Wisconsin Dep't of Revenue*, 2006 WI App 12, 288 Wis. 2d 693, 709 N.W.2d 520.

APPENDIX A

PUBLIC SERVICE COMMISSION OF WISCONSIN

(Not a party but must be served per Wis. Stat. § 227.53)

4822 MADISON YARDS WAY

PO BOX 7854

MADISON, WI 53707

CITIZENS UTILITY BOARD

COREY SINGLETARY

6401 ODANA ROAD STE 24

MADISON WI 53719

USA

SINGLETARY@WISCUB.ORG

CITIZENS UTILITY BOARD

THOMAS CONTENT

6401 ODANA ROAD STE 24

MADISON WI 53719

USA

CONTENT@WISCUB.ORG

PUBLIC SERVICE COMMISSION OF WISCONSIN

MIKE RITSEMA

4822 MADISON YARDS WAY PO BOX 7854

MADISON WI 53707

USA

MIKE.RITSEMA@WISCONSIN.GOV

PUBLIC SERVICE COMMISSION OF WISCONSIN

CHRISTIANNE WHITING

4822 MADISON YARDS WAY PO BOX 7854

MADISON WI 53707

USA

CHRISTIANNE.WHITING@WISCONSIN.GOV

PUBLIC SERVICE COMMISSION OF WISCONSIN

KARA KOONCE

4822 MADISON YARDS WAY PO BOX 7854

MADISON WI 53707

USA

KARA.KOONCE@WISCONSIN.GOV

THEODORE EIDUKAS

WISCONSIN PUBLIC SERVICE CORPORATION

231 W MICHIGAN STREET P321
MILWAUKEE WI 53203
USA
PSCWNOTIFICATIONS@WECENERGYGROUP.COM

WISCONSIN PUBLIC SERVICE CORPORATION
CATHERINE PHILLIPS
231 W MICHIGAN STREET
MILWAUKEE WI 53203
CATHERINE.PHILLIPS@WE-ENERGIES.COM

WISCONSIN PUBLIC SERVICE CORPORATION
RICHARD STASIK
231 W MICHIGAN STREET
MILWAUKEE WI 53203
RICHARD.STASIK@WECENERGYGROUP.COM

WISCONSIN PUBLIC SERVICE CORPORATION
QUARLES AND BRADY LLP
411 EAST WISCONSIN AVENUE STE 2400
MILWAUKEE WI 53202
USA
JAMES.GOLDSCHMIDT@QUARLES.COM

WISCONSIN PUBLIC SERVICE CORPORATION
QUARLES AND BRADY LLP
411 EAST WISCONSIN AVENUE STE 2400
MILWAUKEE WI 53202
USA
LAREN.ZENK@QUARLES.COM

WISCONSIN INDUSTRIAL ENERGY GROUP
HEINZEN LAW SC
PO BOX 930370
VERONA WI 53593
USA
STEVE.HEINZEN@HEINZENLAW.COM

WISCONSIN INDUSTRIAL ENERGY GROUP
SHARON HENNINGS
115 BUCKINGHAM COURT
CAMBRIDGE WI 53523
USA
HENNINGS.SHARON@GMAIL.COM

WISCONSIN INDUSTRIAL ENERGY GROUP

TODD STUART

44 EAST MIFFLIN STREET STE 404

MADISON WI 53703

USA

TSTUART@WIEG.ORG

DISSENT OF COMMISSIONER ELLEN NOWAK

I write to dissent from the Commission's decision regarding a proposed adjustment in the 2022 fuel cost plans for Wisconsin Electric Power Company (WEPCO) and Wisconsin Public Service Company (WPSC), dockets 6690-ER-105 and 6630-ER-105, respectively. While I agreed to accept each utility's plan overall, I dissented from the Commission's decision to accept staff's proposed adjustment to remove the off-peak bid adders from the Fox Energy Center (Fox).

The unrebutted testimony from the WEPCO and WPSC witness stated that inclusion of the bid adders in modeling provides unit output that aligns with recent actual operation of Fox in the MISO market. The Wisconsin Industrial Energy Group only made its position known after the record was closed by including a statement in the decision matrix which is provided solely for the purpose of guiding the discussion at the open meeting. Staff's position was not supported in the record and was later unclear as to whether they supported removal. Regardless, the point is that the majority's decision to remove the adders was not supported by the record. In order to provide regulatory certainty, this Commission must base decisions solely on the record. If this Commission continues to make decisions that are not based on record evidence, the road to an unconstructive regulatory environment will be short.

Wisconsin Public Service Corporation
Electric Revenue Summary

Rate Class, Sub-Class, and Descriptions		Present Revenue for 2021	Authorized Revenue for 2022	Revenue Change	Percent Change
Rg-1	Residential Service	\$390,355,941	\$403,939,683	\$13,583,742	3.48%
Rg3-OTOU	Residential Service - Optional Time-of-Use	\$12,842,186	\$13,382,244	\$540,058	4.21%
Rg5-OTOU	Residential Service - Three-Tier Optional Time-of-Use	\$3,203,636	\$3,324,862	\$121,226	3.78%
Rg-RR	Residential Service - Response Rewards	\$429,495	\$446,177	\$16,682	3.88%
Total Residential		\$406,831,258	\$421,092,966	\$14,261,708	3.51%
Cg-1	Small Commercial & Industrial Service	\$102,751,451	\$106,906,940	\$4,155,489	4.04%
Cg3-OTOU	Small Commercial & Industrial Service - Optional Time-of-Use	\$10,253,947	\$10,707,168	\$453,221	4.42%
Cg-5	Small Commercial & Industrial Service	\$29,078,647	\$30,501,594	\$1,422,947	4.89%
Cg-20	Small Commercial & Industrial Service - Time-of-Use	\$228,804,339	\$242,255,304	\$13,450,965	5.88%
Cg-1 RR	Small Commercial & Industrial Service - Response Rewards	\$1,985	\$2,048	\$63	3.17%
Cg-5 RR	Small Commercial & Industrial Service - Response Rewards	\$0	\$0	\$0	0.00%
Cg-20 RR	Small Commercial & Industrial Service - TOU - Response Rewards	\$4,702,848	\$4,971,970	\$269,122	5.72%
Total Small and Commercial and Industrial		\$375,593,217	\$395,345,023	\$19,751,806	5.26%
Cp-1	Large Commercial & Industrial Service - General	\$196,558,225	\$210,897,688	\$14,339,463	7.30%
CP-RR	Large Commercial & Industrial Service - Response Rewards	\$19,107,209	\$20,569,987	\$1,462,778	7.66%
NLMP	<i>New Load Market Pricing*</i>	\$10,004,261	\$10,004,261	\$0	0.00%
RTMP	<i>Real Time Market Pricing*</i>	\$19,299,202	\$19,299,202	\$0	0.00%
Total Large Commercial and Industrial		\$215,665,434	\$231,467,675	\$15,802,241	7.33%
LS	Outdoor Overhead Lighting Service	\$12,106,646	\$12,303,751	\$197,105	1.63%
PG	<i>Parallel Generation*</i>	\$80,448	\$80,448	\$0	0.00%
ATS-1	<i>Automatic Transfer Switch*</i>	\$20,159	\$20,159	\$0	0.00%
NAT	<i>NatureWise*</i>	\$203,328	\$203,328	\$0	0.00%
Total Lighting, Parallel Generation, and General Service		\$12,106,646	\$12,303,751	\$197,105	1.63%
Total Electric Revenues		\$1,039,803,953	\$1,089,816,813	\$50,012,860	4.81%

* Revenue from these classes is omitted from subtotals but is included in total electric revenues

Wisconsin Public Service Corporation
Electric Cost of Fuel Adjustment

Rate Schedule	Authorized Surcharge	Units
Residential Service (Rg-1)		
Fuel Surcharge Rate	\$ 0.00612	per kWh
Residential Service - Optional Time-of-Use (Rg3-OTOU)		
Fuel Surcharge Rate	\$ 0.00612	per kWh
Residential Service - Three-Tier Optional Time-of-Use (Rg5-OTOU)		
Fuel Surcharge Rate	\$ 0.00612	per kWh
Residential Service - Response Rewards (Rg-RR)		
Fuel Surcharge Rate	\$ 0.00612	per kWh
Small Commercial & Industrial Service (Cg-1)		
Fuel Surcharge Rate	\$ 0.00612	per kWh
Small Commercial & Industrial Service - Optional Time-of-Use (Cg3-OTOU)		
Fuel Surcharge Rate	\$ 0.00612	per kWh
Small Commercial & Industrial Service (Cg-5)		
Fuel Surcharge Rate	\$ 0.00612	per kWh
Small Commercial & Industrial Service - Time-of-Use (Cg-20)		
Fuel Surcharge Rate	\$ 0.00612	per kWh
Small Commercial & Industrial Service - Response Rewards (Cg-1 RR)		
Fuel Surcharge Rate	\$ 0.00612	per kWh
Small Commercial & Industrial Service - Response Rewards (Cg-5 RR)		
Fuel Surcharge Rate	\$ 0.00612	per kWh
Small Commercial & Industrial Service - Response Rewards (Cg-20 RR)		
Fuel Surcharge Rate	\$ 0.00612	per kWh
Large Commercial & Industrial Service - General (Cp-1)		
Fuel Surcharge Rate	\$ 0.00612	per kWh
Large Commercial & Industrial Service - Response Rewards (Cp-RR)		
Fuel Surcharge Rate	\$ 0.00612	per kWh
Outdoor Overhead Lighting Service (LS)		
Fuel Surcharge Rate	\$ 0.00612	per kWh

Wisconsin Public Service Corporation
2022 Fuel Cost Plan
Electric Fuel Costs per Wis. Admin. Code § PSC 116.02

Month	Monitored Fuel Costs	Net MWh Produced	Fuel Cost per Net MWh Produced	Cumulative Cost per MWh
January	\$ 33,035,880	1,091,862	\$ 30.26	\$ 30.26
February	\$ 29,701,025	976,170	\$ 30.43	\$ 30.34
March	\$ 32,094,494	1,039,858	\$ 30.86	\$ 30.51
April	\$ 26,325,310	967,651	\$ 27.21	\$ 29.73
May	\$ 26,685,991	1,008,661	\$ 26.46	\$ 29.08
June	\$ 30,644,472	1,082,194	\$ 28.32	\$ 28.95
July	\$ 33,764,473	1,173,951	\$ 28.76	\$ 28.92
August	\$ 33,717,224	1,158,394	\$ 29.11	\$ 28.94
September	\$ 29,775,638	1,054,728	\$ 28.23	\$ 28.86
October	\$ 29,125,415	1,003,468	\$ 29.02	\$ 28.88
November	\$ 31,174,487	990,521	\$ 31.47	\$ 29.10
December	\$ 29,161,108	1,058,786	\$ 27.54	\$ 28.97
Total	\$ 365,205,518	12,606,243	\$ 28.97	