

<b>SERVICE DATE</b>
<b>Aug 20, 2021</b>

## PUBLIC SERVICE COMMISSION OF WISCONSIN

Application of Wisconsin Electric Power Company for Reconciliation of Actual Fuel Costs to the Authorized 2020 Fuel Cost Plan 6630-FR-2020

### FINAL DECISION

This is the Final Decision in the application of Wisconsin Electric Power Company (applicant) for the reconciliation of actual monitored fuel costs of items in its approved fuel cost plan 2020, pursuant to Wis. Admin. Code § PSC 116.07. The application is APPROVED, subject to conditions identified in this Final Decision.

#### Background

Pursuant to Wis. Admin. Code § PSC 116.03, each of the five major, investor-owned electric utilities must file an annual proposed fuel cost plan (monitored fuel costs) for the next calendar year (the plan year). Wisconsin Admin. Code § PSC 116.07 provides for an annual reconciliation of a utility's Commission-approved monitored fuel costs incurred in the plan year. Wisconsin Admin. Code §§ PSC 116.06(3) and 116.07(4)(a) further provide that a utility may collect from ratepayers any actual, prudently-incurred fuel costs that exceed its Commission-approved monitored fuel costs by more than 2.0 percent as measured on a cost per megawatt-hour (MWh) basis, provided it does not have excess revenues for the plan year as described under the fuel rules. Wisconsin Admin. Code §§ PSC 116.06(3) and 116.07(4)(c) conversely provide that a utility must credit to ratepayers any amount of the approved fuel cost plan that exceeds actual, prudently-incurred fuel costs, in excess of 2.0 percent. Wisconsin Admin. Code §§ PSC 116.06(1) and (2) contain formulas that calculate deferred account

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balances for over-collected or under-credited fuel costs included in the approved fuel cost plan. The deferred account balance is subject to interest at the utility's authorized short-term debt rate beginning on the first day after the end of the plan year until the deferred balance is collected from, or returned to, the ratepayers. Wis. Admin. Code § PSC 116.07(5)(c).

On March 31, 2021 the applicant filed its application under Wis. Stat. §196.20(4) and Wis. Admin. Code § PSC 116.07 for the 2020 fuel cost plan for generating electricity. ([PSC REF#: 407889](#).) The applicant reported an over-collection of its fuel and purchased power costs by \$18,176,560, which was reduced to an over-collection of \$3,451,326 available for refund to ratepayers when adjusted for the 2.0 percent fuel cost tolerance band. In an effort to lessen the burden of cost recovery on ratepayers, the applicant proposed to apply this refund amount, with interest at the applicant's most recent authorized short-term debt rate, as an offset to its deferred incremental COVID-19 related costs in accordance with the Order in docket 5-AF-105. ([PSC REF#: 386353](#).) On April 29, 2021 the Commission issued a Notice of Investigation in this docket. ([PSC REF#: 410474](#).) No hearing was required or held. Parties were provided with an opportunity to be heard through the submission of written comments on the Commission memorandum. ([PSC REF#: 414721](#).)

### **Reconciliation Review**

Subsequent to the applicant filing its 2020 fuel reconciliation, Commission staff performed an audit of the applicant's reported 2020 monitored fuel costs and its associated reported over-collection. Commission staff traced the applicant's reported fuel costs and energy production back to the appropriate source document; verified calculated amounts; inquired as to procedures followed during risk management activities; and reviewed

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Midcontinent Independent System Operator, Inc. bidding of load, offering of generation, buying, and billing administration procedures wherever possible.

On June 30, 2021 Commission staff filed a memorandum for Commission agenda in this docket that summarized its review of the applicant's 2020 monitored electric fuel costs and requested comments. ([PSC REF#: 414721](#).) The applicant and Wisconsin Industrial Energy Group filed comments on July 9, 2021 for Commission consideration. ([PSC REF#: 415583](#), [PSC REF#: 415589](#).) The Commission discussed this matter at its open meeting of July 29, 2021.

### **Findings of Fact**

1. The applicant's reported 2020 monitored fuel costs results in an over-collection of \$3,451,326 outside the applicant's authorized 2.0 percent bandwidth.
2. It is reasonable to require the applicant to refund the over-collection, with interest at the most recent authorized short-term debt rate of 2.8 percent, in September 2021. The total refund due to ratepayers in September 2021 is \$3,524,485, for an average refund of \$0.00186 per kilowatt-hour (kWh) as shown in Appendix A.
3. It is reasonable to require the applicant to refund its over-collected monitored fuel costs, with interest, via a class level credit based on 2020 actual class level kWh sales to Wisconsin retail electric customers' September 2021 bills as shown in Appendix A.
4. It is reasonable that the applicant be required to charge the appropriate deferred account, if the actual refund is less than authorized in this Final Decision.
5. It is reasonable that the applicant not be allowed to recover any over-refunded amounts resulting from the refund authorized by this Final Decision.

6. It is reasonable for the applicant to file a final form tariff sheet consistent with this Final Decision.

### **Conclusions of Law**

1. The Commission has jurisdiction and authority to issue this Final Decision under Wis. Stat. §§ 196.02(1), 196.20(4), and Wis. Admin. Code ch. PSC 116.

### **Opinion**

At its open meeting of July 29, 2021 the Commission reviewed the applicant's reported 2020 monitored fuel costs and Commission staff's audit of the 2020 monitored fuel costs. The Commission accepts the applicant's reported 2020 monitored fuel costs. Commission staff did not identify any incorrectly reported or imprudently incurred monitored fuel costs under Wis. Admin. Code § PSC 116.07(4)(c). The applicant is required to return the over-collection of fuel costs that exceeds the 2.0 percent fuel cost tolerance band plus interest at the applicant's most recently Commission-authorized short-term debt rate of 2.8 percent. Therefore, the Commission finds it reasonable to require the applicant to refund \$3,524,485 which includes interest of \$73,159, accrued at the applicant's authorized short-term debt rate of 2.8 percent.

The Commission does not find the applicant's request to apply the over-collection to the applicant's COVID-19 deferral authorized in docket 5-AF-105 to be reasonable. This would otherwise delay the dollars to be refunded until such point as the COVID-19 deferrals have been vetted by the Commission, a date which has yet to be determined. The Commission determines the over-collections shall be returned to the respective ratepayers as soon as possible, and therefore finds it reasonable to require the refunds to occur in September 2021.

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In addition, the Commission finds it reasonable to require the applicant to use the process for allocating the refunds established in docket 4220-FR-2018. The refund plan, which is to be established on actual class level usage over the previous year's 12-month energy usage, reimburses the credit balance to the applicant's customers in a more equitable manner by refunding to each respective class its actual contribution to the total credit balance.

For instance, rather than allocating the credit balance to customers on a single, uniform per kWh credit rate, the refund method takes into consideration each class's actual contribution to the refund balance, thereby crediting back to each class its contributed share of the refund balance. Effectively, the 2020 calendar year class level usage determines the refund amount for each customer class. That refund amount is then credited back to customers in a single month through its corresponding class level credit rate. Therefore, pursuant to the method outlined above, the Commission directs the applicant to refund the authorized amount to the customer class groups shown in Appendix A.

This refund is based on forecasted Wisconsin retail sales for September 2021. If in the actual refund month Wisconsin retail sales are less than the forecasted amount, the difference will be charged to the appropriate deferred account per Wis. Admin. Code § PSC 116.07(6). If in the actual refund month Wisconsin retail sales exceed the forecast amount, no additional recovery will be allowed.

### **Order**

1. The applicant shall refund \$3,524,485 for the 2020 monitored fuel cost over-collection including accrued interest at its authorized cost of short-term debt through the conclusion of the refund period.

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2. The applicant shall refund the amount described in Order Condition 1 via a class level credit based on 2020 actual class level kWh sales to Wisconsin retail customers' bills in September 2021.

3. If the actual refund is less than that authorized in this Final Decision, the applicant shall charge the remainder to the appropriate deferred account pursuant to Wis. Admin. Code § PSC 116.07(6).

4. If the actual refund is greater than authorized in this Final Decision, the applicant shall not be allowed to recover this difference per Wis. Admin. Code § PSC 116.07(6).

5. The applicant shall file final form tariff sheets consistent with this Final Decision and rates in Appendix A.

6. This Final Decision takes effect one day after the date of service.

7. Jurisdiction is retained.

Dated at Madison, Wisconsin, this 20<sup>th</sup> day of August, 2021.

By the Commission:



*For*

Steffany Powell Coker  
Secretary to the Commission

SPC:MAR:dsa:jlt:DL: 01822494

Attachments

See attached Notice of Rights

PUBLIC SERVICE COMMISSION OF WISCONSIN  
4822 Madison Yards Way  
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**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.<sup>1</sup> 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

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

**Wisconsin Electric Power Company  
Electric Fuel Reconciliation Summary**

<b>Class Categories</b>	<b>2020 Actual Sales kWh*</b>	<b>Fuel Plan Allocation</b>	<b>Refund Amount</b>	<b>September 2021 Forecast kWh**</b>	<b>Authorized Credit per kWh</b>
Residential & Farm Service	8,239,413,000	37.12%	\$1,308,139	587,678,646	\$ (0.00223)
Secondary Commercial & Industrial	8,216,937,000	37.01%	\$1,304,571	754,414,635	\$ (0.00173)
Primary Commercial & Industrial	5,613,843,889	25.29%	\$891,288	541,000,862	\$ (0.00165)
Street Lighting	129,040,000	0.58%	\$20,487	14,333,993	\$ (0.00143)
<b>Totals</b>	<b>22,199,233,889</b>	<b>100.00%</b>	<b>\$3,524,485</b>	<b>1,897,428,136</b>	<b>\$ (0.00186)</b>

**Class Categories**

Residential & Farm Service  
Secondary Commercial & Industrial  
Primary Commercial & Industrial  
Street Lighting

**Associated Tariffs**

Rg-1, Rg-2, Rg-3, Fg-1  
Cg-1, Cg-2, Cg-3, Cg-6, TE-1  
Cp-1, Cp-2, Cp-3, Cp-4, Cp-FN, CST  
Ms-1, Ms-2, Ms-3, Ms-4, Al-1, Gl-1, St-1, St-2, LED

*Note: 2020 Actual and 2021 Forecasted kWh from WEPSCO Data Request Response (PSC REF# 411980 & 411981)*