

SERVICE DATE Aug 15, 2024
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PUBLIC SERVICE COMMISSION OF WISCONSIN

Application of Wisconsin Electric Power Company for Reconciliation of
Actual Fuel Costs to the Authorized 2023 Fuel Cost Plan

6630-FR-2023

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 for 2023, pursuant to Wis. Admin. Code § PSC 116.07. The application is APPROVED, subject to the conditions contained 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 the 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 customers 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 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) conversely provide that a utility must credit to customers 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 balances for

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over- or under-collected 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 as provided in Wis. Admin. Code § PSC 116.07(5)(c).

On April 1, 2024, the applicant filed its reconciliation application for the 2023 fuel plan year. ([PSC REF#: 495434](#).) The applicant reported an under-collection of its monitored fuel costs by \$1,132,055 for 2023, when adjusted for the 2.0 percent fuel cost tolerance band. However, the applicant is not eligible for a surcharge as the applicant had excess revenues as defined in Wis. Admin. Code § PSC 116.01(10) which entirely offset the \$1,132,055 under-collection.

Additionally, the applicant indicated it over-collected the surcharge authorized by the Commission in the 2022 fuel reconciliation. ([PSC REF#: 476548](#).) The amount over-collected by the applicant was \$32,453. The applicant requests to refund \$32,453 plus interest for the 2022 over-collection in September 2024.

On May 2, 2024, the Commission issued a Notice of Investigation in this docket. ([PSC REF#: 500388](#).) No hearing was required or held. On April 17, 2024, and May 16, 2024, Citizens Utility Board (CUB) and Wisconsin Industrial Energy Group (WIEG) requested to intervene. ([PSC REF#: 498235](#), [PSC REF#: 501807](#).) On June 6, 2024, the Administrative Law Judge (ALJ) granted the requests for intervention. ([PSC REF#: 504446](#).) Parties were provided with an opportunity to be heard through the submission of written comments on the Commission memorandum issued on June 19, 2024. ([PSC REF#: 505872](#).) On July 1, 2024, comments on the memorandum were provided by the applicant, CUB, and WIEG. ([PSC REF#: 506953](#), [PSC](#)

[REF#: 506945](#), [PSC REF#: 506946](#), respectively.) The Commission considered these comments as part of the record in this investigation.

The Commission considered this matter at its open meeting of July 11, 2024.

Findings of Fact

1. The applicant's reported 2023 monitored fuel costs results in an under-collection of \$1,132,055 outside the applicant's authorized 2.0 percent tolerance band.
2. The applicant reported an over-collection of \$32,453, excluding interest, for its 2022 fuel reconciliation surcharge authorized in the Commission's Final Decision in in docket 6630-FR-2022. ([PSC REF#: 476548](#).)
3. The applicant did have excess revenues as defined in Wis. Admin. Code §§ PSC 116.06(3) and 116.07(4).
4. It is reasonable to require the applicant to refund the over-collection of the 2022 fuel reconciliation surcharge, with interest.
5. It is reasonable to apply the applicant's authorized short-term debt rate of 4.14 percent, as authorized by the Commission in docket 5-UR-110.
6. It is reasonable to require the applicant to use a flat level credit based on 2023 actual class level kilowatt-hour (kWh) sales to Wisconsin retail electric customers' September 2024 bills as shown in Appendix A.
7. 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.
8. It is reasonable that the applicant not be allowed to recover any over-refunded amounts resulting from the refund authorized by this Final Decision.

9. It is reasonable for the applicant to file a final form tariff sheet consistent with this Final Decision and the rates in Appendix A.

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.

2. The Commission has jurisdiction under Wis. Stat. §§ 196.02, 196.06, 196.37, and 196.395 to authorize deferred accounting treatment in accordance with this Final Decision.

3. Wisconsin Admin. Code § PSC 116.07(4)(a) requires that, in the absence of a surcharge, the fuel rules only authorize a comparison of actual monitored fuel costs and the Commission-authorized fuel cost plan.

Opinion

The applicant proposed to return the over-collection of the 2022 fuel reconciliation surcharge of \$32,453, plus interest at the applicant's most recently-authorized short-term debt rate of 4.14 percent ([PSC REF#: 455451](#) at 56) in September 2024. The total refund, including interest for January through September 2024, would be \$33,417, if refunded in September 2024. The applicant did not specify a preference for using the flat-rate or the class-level method to return the refund balance to customers.

Audit Procedures and Findings

Subsequent to the applicant filing its 2023 fuel reconciliation application, Commission staff performed an audit of the applicant's reported 2023 monitored fuel costs. Commission staff's audit of the applicant's reported 2023 monitored fuel costs did not identify any material

errors, imprudently incurred costs, or misstatements of the applicant's 2023 monitored fuel costs. Commission staff also reviewed the calculation of the applicant's over-collection of the surcharge authorized by the Commission in the applicant's 2022 fuel reconciliation application and did not identify any material errors in the applicant's calculation of the 2022 surcharge over-collection.

The Commission reviewed the applicant's reported 2023 monitored fuel costs and Commission staff's audit of the 2023 monitored fuel costs and the review of the 2022 over-collection and did not identify any incorrectly reported or imprudently incurred monitored fuel costs under Wis. Admin. Code § PSC 116.07(4)(c). The Commission accepts the applicant's reported 2023 monitored fuel costs and the identified over-collection of its 2022 surcharge as filed.

Refund Time Period

The applicant is required to return the over-collection of fuel costs that exceeds the 2.0 percent fuel cost tolerance band with interest. Historically, the Commission has not adopted a standard approach for the time period used to refund over-collections related to fuel reconciliations and reviews each request on a case-by-case basis. Depending on the case-specific circumstances in each docket, the Commission has authorized refunds over various time periods including a single month, or over two or more consecutive months. Authorizing a refund over one month is the quickest means to refund the relevant amount, while authorizing a refund over more than one month could result in maintaining rate stability over a longer period of time.

In addition to the applicant's proposal, Commission staff requested information to present alternative pay-back periods for Commission consideration based on forecasted 2024 Wisconsin retail sales for the months listed including: October 2024, September and October 2024, and October through December 2024. ([PSC REF#: 500186](#), [PSC REF#: 500189](#).)

The applicant requested the refund to occur in September 2024. The Commission considered this request alongside other alternatives with varying time periods, and finds the applicant's request to be reasonable. Therefore, the Commission accepts the applicant's reported \$32,453 refund owed to customers for the over-collection of its 2022 surcharge, plus interest at the applicant's authorized short-term debt rate compounded through September 2024, for a total refund of \$33,417.

Refund Allocation Method

Similar to refund periods, the Commission has not adopted a standard approach for the allocation methodology used to refund over-collections related to fuel reconciliations and reviews each request on a case-by-case basis. The Commission has selected either a flat rate per kWh or a class-level allocation methodology. The flat-rate method allocates the credit balance to customers on a single, uniform per kWh credit rate and is a simple and straightforward allocation methodology. The class-level method takes into consideration each class's actual contribution to the refund balance, resulting in a class-specific per kWh credit, thereby crediting back to each class its contributed share of the refund balance. In some instances, the class-level method was found by the Commission to be a more equitable method of allocation among different classes of customer (residential versus commercial versus

industrial customers), as each class can have different usage patterns of electricity consumption.

The applicant did not specifically propose a method for allocating the refund of the 2022 over-collection of \$32,453. However, Commission staff requested information to present alternative pay-back periods for Commission consideration based on forecasted 2024 Wisconsin retail sales for the months listed including: October 2024, September and October 2024, and October through December 2024. ([PSC REF#: 500186](#), [PSC REF#: 500189](#).)

After review of the record, given the flat-rate method is a simple and straightforward allocation method and both refund methodologies result in identical estimated refund credit amounts for the average residential and commercial and industrial customers, the Commission finds it reasonable to require the applicant to use the flat-rate method to allocate the credit balance to customers on a single, uniform per kWh credit rate applied across all customer classes. Therefore, the Commission directs the applicant to refund the authorized amount to the customer class groups based on forecasted Wisconsin retail sales through September 2024 as reflected in Appendix A.

If in the actual refund months 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 months Wisconsin retail sales exceed the forecast amount, no additional recovery will be allowed.

Order

1. The applicant shall refund the over-recovery of the 2022 fuel reconciliation surcharge, with interest at the applicant's authorized cost of short-term debt rate, using the flat-

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rate sales allocation method to credit Wisconsin retail electric customer bills in September 2024 as shown in Appendix A.

2. The applicant shall charge the appropriate deferred account if the actual refund is less than authorized in this Final Decision.

3. The applicant shall not be allowed to recover any over-refunded amounts resulting from the refund authorized in this Final Decision.

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

5. This Final Decision takes effective one day after date of service.

6. Jurisdiction is retained.

ABSTENTION

Commissioner Nieto abstains.

Dated at Madison, Wisconsin, the 15th day of August, 2024.

By the Commission:

A handwritten signature in black ink, appearing to read "Cru Stublely", written over a faint circular line.

Cru Stublely
Secretary to the Commission

CS:KHM:dsa DL: 02021628

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.

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

	2023 Actual Sales (kWh)	Fuel Plan Allocation	Refund Amount (\$)	September 2024 Forecast (kWh)	Authorized Credit (\$/kWh)
Residential & Farm Service	7,790,977,161	35.62%	(11,904)	586,582,021	(0.00002)
Secondary Commercial & Industrial	8,545,135,870	39.07%	(13,056)	729,605,336	(0.00002)
Primary Commercial & Industrial	5,431,584,394	24.83%	(8,299)	502,489,566	(0.00002)
Street Lighting	103,736,888	0.47%	(158)	9,040,615	(0.00002)
Totals	21,871,434,313	100.00%	(33,417)	1,827,717,538	

Class Categories**Associated Tariffs**

Residential & Farm Service	Rg1, Rg2, Fg1
Small Commercial & Industrial	Cg1, Cg2, Cg3, Cg3C, Cg3S, Cg6, TssM, TssU
Large Commercial & Industrial	Cp1, Cp3, Cp3S, Cp4, CpFN
Street Lighting	Ms1, Ms2, Ms3, Ms4, Al1, Gl1, St1, St2, LED