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Electronically delivered

Dear General Counsel Heline:

Thank you for the opportunity to provide input and feedback on improving procedural efficiencies before the Indiana Utility Regulatory Commission ("Commission"). Citizens Action Coalition of Indiana ("CAC") hereby provides the following recommendations and comments:

1. *Improve Efficiency of Demand Side Management Data Reporting*

CAC would respectfully recommend the Commission put into place a standard Demand Side Management (DSM) reporting template that each utility delivering DSM services is required to complete. CAC would also recommend that the Commission then post these reports, and other fundamental DSM information, in one central location on its website. While CAC appreciates the Commission's directives to utilities to file scorecards in the most recent DSM dockets, it can be difficult to find these scorecards, especially for parties who do not regularly participate in the DSM proceedings, and the utilities do not report items consistently across the board (e.g., reporting savings at the meter versus at the plant). Without standard reporting, it can be very difficult to compare utility programs and draw conclusions about activities and energy saved.

Thus, CAC would recommend using Lawrence Berkeley National Laboratory's (LBNL) Energy Efficiency Reporting Tool, a spreadsheet-based tool that helps electric and natural gas utilities and other efficiency program administrators report annual program savings, expenditures, and related information to state regulators and other utility oversight boards and stakeholders. Potential benefits include a consistent and clear reporting structure to present important data in a standard format, reduced time for the Commission and members of the utility DSM oversight boards to assess reporting and other compliance, and the ability to benchmark and evaluate demand-side resource program strategies and efficacy of administration and implementation. See the following website link for more information including a recorded webinar and link to the LBNL Excel reporting tool, as well as the attachment CAC has provided to this submission which is a copy of the LBNL Excel reporting tool: https://emp.lbl.gov/publications/energy-efficiency-reporting-tool. Again, CAC would also recommend the Commission post this data collection to one central location on the Commission's website to better ensure transparency and data access.

2. *<u>Improve the information provided in initial filings and petitions to ensure better education and background on issues being presented</u>*

   a. *Detail needed in case-in-chief and direct testimony—Getting more information up front, rather than waiting for rebuttal*

Under 170 IAC 1-1.1-9(a)(7), we believe it would be more efficient and accessible to the public if all dollar figures in the cost recovery requests be included in the petition or to state that no dollars are requested, if that is the case. For instance, for a Certificate of Public Convenience and Necessity filing, the utility would be required to state the exact dollar amounts they are asking to recover from ratepayers; and if no dollars are requested, the utility should so state. This adds greater transparency, especially for the general public who may not have the knowledge or wherewithal to find this information that may not available except to the intervenors conducting discovery.

We would also suggest the Commission impose some type of limitation wherein the utility will be discouraged from improperly putting in evidence into rebuttal that should have been included in case-in-chief and direct testimony.

   b. *Improved pilot program requests—Creating standard for information necessary in pilot program requests, in particular:*

Prior to the implementation of any pilot program, the utility should be required to present a plan for independent evaluation, measurement, and verification ("EM&V") with certain universal criteria as determined by the Commission. The results of the EM&V should determine whether the program leaves the pilot phase to become a permanent program, or whether the project must cease because the pilot was deemed unsuccessful. Demand-side management already has an EM&V framework in place that could be mirrored for pilot program requests. For example, see here for the DSM EM&V framework that most electric investor-owned utilities still follow: https://iurc.portal.in.gov/_entity/sharepointdocumentlocation/72a11af8-9484-e611-8124-1458d04ea8b8/bb9c6bba-fd52-45ad-8e64-a444aef13c39?file=dmccall_10_8_20123-19-40pm[1].pdf. Any EM&V plan should include: an evaluation of the cost effectiveness of the pilot program, especially to the extent the utility is requesting or will ultimately be asking for ratepayer dollars if the pilot program proves successful; how costs and savings will be allocated among various classes of customers; and participant experience, including interviews of sample participants both before and after the pilot program experience. Without good data, a pilot program is a waste of time at the expense of customers.

We would also suggest that pilot programs must always track and report basic data and metrics that should be regularly posted publicly throughout the pendency of the pilot and beyond. For prepaid pilots, for example, the following should be collected:

> <u>Basic Information</u>: In this docket, the utility should file public, monthly reports that includes at least the following information separately for credit-based and prepayment residential customers:
>
> - Number of customers
> - Number of customers with arrears of 30 days or more
> - Dollar value of arrears
> - Number of disconnection notices sent

- Number of service disconnections for non-payment
- Number of service reconnections after disconnection for non-payment
- Number of new payment agreements entered
- Number of payment agreements successfully completed
- Number of failed payment agreements
- The length of each disconnection, and
- The customer's zip code.

Enrollment Tracking and Reporting: The utility should report annually:

- The number of customers who enroll in the Prepaid Advantage program who came to the program as:
    - A new utility customer
    - An existing utility customer
        - With no outstanding arrearage
        - With an outstanding arrearage
            - The average vintage amount in arrears
            - The average dollar value in arrears
        - With a pending notice of disconnection
        - With previous disconnections for non-payment
- By customer, the number of times per month a customer pays by phone, pays online, pays at a kiosk, pays with a third party, or other accepted payment methods.

c. Amendment to 170 IAC 1-5 Minimum Standard Filing Requirements ("MSFRs") (likely including changing the name of the rule): Updating MSFRs to reflect Ind. Code § 8-1-2-42.7 requirements and options (such as forward-looking test year) and evaluating current MSFRs for outdated requirements

First and fundamentally, any standard filing should include electronic spreadsheets with formulas intact and with explicit linkages to all source or precursor spreadsheets.

Second, with regard to updating the MSFRs to reflect the use of forward-looking test years, the existing MSFR rule at 170 IAC 1-5-1 *et seq*. was written at a time when forward-looking test years were not permitted and when many of these filings were done on paper (filed October 28, 1998, and subsequently readopted in later years). The MSFR rule must be updated to incorporate the requirements in the later issued General Administrative Order ("GAO") 2013-5.[1] The goal should be for any utility requesting changes to its base rates to support such with complete and transparent documentation to allow a thorough review by Commission staff and other parties of the Company's forecasting methodology, data sources, and assumptions. The utility must provide such in a transparent format which would allow parties or the Commission to determine step-by-step how that information for the future test year had been derived and adjusted from the base year. It is the plain and manifest intent of the Commission in both the MSFRs and GAO 2013-5 that parties should have access to transparent information from the utility that allows them to understand and verify the forecasted and adjusted data, and the rules should be updated to make that clear. Only then can parties assert their positions and can the Commission rule on the validity of utility forecasted and adjusted data in setting new rates.

[1] GAO 2013-5 II.A.2(b) states, "While recognizing the MSFR contemplates a historic test period, Indiana Code §8-1-2-42.7 allows a utility to file within 270 days of the close of the historic test period." It goes onto say that, "If the utility proposes a forward-looking or hybrid test year as authorized by Ind. Code §8-1-2-42.7, the MSFR should still serve as guidance as to the categories of information that are appropriate for inclusion as working papers." The GAO elaborates on what is needed in addition to the MSFRs when a forward-looking test year is used at GAO 2013-5 II.A.2: "(c) If the utility chooses a forward-looking test period, the utility should also provide supporting documentation, including any supporting calculations, for any changes between the historic base period and the test period chosen. Each change to the historic base period should be reflected as an individual adjustment in the revenue requirements schedules and explained in testimony. (d) To the extent a forward-looking test year employs a model, that model must be completely transparent, the assumptions fully explicit, and the results fully replicable by any party and by Commission staff."

3. *Improve the organization of information in docketed cases to ensure consistency from all parties*
    a. *(1) Indexing of issues: Providing indexes of all issues addressed in petitions, direct testimony, and rebuttal; (2) Proper proposed orders: Drafting proposed orders consistent with the record and from the Commission's perspective*

CAC would recommend the Commission use or alter the Decision Matrices that the Wisconsin Public Utility Commission issues to guide (1) the indexing of issues throughout the case, and (2) proper proposed orders and post-hearing briefing. This process would help expedite the Commission's review of said issues and put the onus on the parties in terms of outlining the issues they want addressed and then providing the necessary information in a clear, consistent way. CAC has included a lengthy example but would recommend the Commission look here for dozens of others: http://apps.psc.wi.gov/vs2015/ERF_search/content/searchResult.aspx?UTIL=0&CASE=none&SEQ=0&START=none&END=none&TYPE=DMX&SERVICE=none&KEY=none&NON=N Note that the Wisconsin PUC Decision Matrix first poses the issue in the form of a question, then explains the issue scope, and finally leaves space for the parties to fill in a brief summary of their respective positions for that particular issue with the amount the party position would cost and the applicable and supporting transcript references. Commission alternatives are then outlined at the bottom so the various parties can plug in their respective proposed requested relief alternatives. CAC understands that the parties before the Wisconsin PUC can suggest edits or additional issues for inclusion on the Decision Matrix in a given proceeding, and then parties are expected to fill out their respective positions and other required information.

In addition to using this as a guide for proposed orders, this could easily be altered to use as an issues index that the parties use throughout the case process, beginning with the utility petition. We would suggest that the utility should begin its case with a list of issues outlined in its verified petition and other parties can add to this list of issues throughout the case. We would recommend the issues list be in tabular format to keep things organized and to keep the parties brief. For the proposed order and post-hearing briefing stage of the case, the parties and Commission could then use a similar format as the Wisconsin Public Utility Commission.

    b. *Consistent accounting schedules: Adopting a standard IURC presentation for select rate accounting schedules*

Again, generally speaking, any standard filing should include electronic spreadsheets with formulas intact and with explicit linkages to all source or precursor spreadsheets.

4. *Settlement Conferences to Promote Informal Dispute Resolution or More Formal Mediation*

First, CAC would respectfully urge the Commission to consider settlement conferences at early stages of litigation with commission staff for purposes of promoting informal dispute resolution or more formal mediation activities with a person trained in conflict resolution. Commission staff could be assigned as testimonial staff in certain cases to participate in these discussions. Generally, promotion of alternative dispute resolution has the potential for a faster resolution of the issues than litigation does and can be less expensive for ratepayers who typically pay for utilities' legal expenses.

Second, CAC would also respectfully request that the Commission require that all parties be invited to participate in any settlement negotiations. The Commission should consider the great efficiencies that could be achieved if the rules encouraged parties to reach unanimous settlement agreements or at least be invited to participate in any settlement negotiations.

Thank you again for this opportunity. We hope these comments and attachments are helpful, and we look forward to continuing our participation in this process. Please feel free to reach out with any questions or concerns.

Respectfully submitted,

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Decision Matrix
WISCONSIN PUBLIC SERVICE CORPORATION
Docket 6690-UR-122
October 23, 2013

Issue 1: Should New York Mercantile Exchange (NYMEX) futures prices used to forecast commodity costs not covered by contracts be adjusted to reflect the historical relationship of futures prices to settlement prices?

Issue Scope: The Commission has historically used NYMEX futures prices to forecast fuel commodity costs that are not established by contract for a future test year. (Direct-PSC-Hillebrand-1.) Commission staff witness Randy Hillebrand proposes to eliminate a risk premium built into the futures prices. (Direct-PSC-Hillebrand-1.) Typically, WPSC purchases the required fuel commodities shortly before it is needed, usually, but not always, paying less than the natural gas futures prices. Ratepayers have essentially paid for an insurance policy that WPSC did not take out. (Direct-PSC-Hillebrand-3.) Mr. Hillebrand proposes a $34.3 million reduction to fuel costs, based on adjusting commodity prices by an average historical ratio of settlement to futures prices. (Direct-PSC-Hillebrand-4.) WPSC over-collected by $2.2 million and $19.0 million on its monitored fuel costs in 2011 and 2012, respectively, largely due to variances on fuel commodity costs not established by contract. (Direct-PSC-Hillebrand-6.) Mr. Hillebrand also provided a comparison of the actual price of the coal contracts signed so far in 2013 for 2014 delivery to the estimated prices in closed, confidential session. (Tr. Vol. 5, 132).

Wisconsin Industrial Energy Group (WIEG) witness Sharon Hennings believes that Commission staff's adjustment is appropriate and will eliminate a budget incentive that runs counter to wise fuel contracting. (Direct-WIEG-Hennings-2-6.)

Wisconsin Public Service Corporation (WPSC) opposes the adjustments, believing that Commission staff's conclusion is contrary to market fundamentals and does not take into consideration pricing history and industry occurrences over a relevant period of time. NYMEX futures prices are the market's independent, nonbiased forecast of natural gas prices on a given day in the future. (Rebuttal-WPSC-Wilems-4.) Commission staff's adjustment would virtually ensure that the company would under-recover its fuel and purchased power costs. (Rebuttal-WPSC-Guntlisbergen-6.) WPSC claims that Commission staff's own calculations show that simply changing the base month or years changes the purported risk premium to a risk discount for coal. Actual spot coal purchases for 2013 delivery resulted in a significant number of contract prices both above and below NYMEX based rate case coal prices. (Rebuttal-WPSC-Kollman-7.)

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Decision Matrix
WISCONSIN PUBLIC SERVICE CORPORATION
Docket 6690-UR-122
October 23, 2013

PARTY POSITIONS	AMOUNT*	TRANSCRIPT REFERENCES
WPSC: No. The issue as framed by Commission staff presumes that there is a “historical relationship” between futures to settlement prices that warrants an adjustment to futures prices. The historical data show the opposite, that futures and settlement prices are at parity. Commission staff’s evidence is based on a limited anomalous time period. Futures prices represent the market’s forecast of future settlement prices, nothing more or less, and there is no built in “risk premium”, contango or storage costs.		Rebuttal-WPSC-Wilems-7-16; Rebuttal-WPSC-Kolmann-3; Sur-surrebuttal-WPSC-Wilems-4, 9-10; Sur-surrebuttal-WPSC-Guntilisbergen-3
CUB: Yes. CUB supports Commission staff’s and WIEG’s testimony on this issue and notes in particular Commission staff’s testimony that without this change WPSC is “very likely to over-recover its fuel and purchased power costs for coal and natural gas” in 2014.		CUB IB, pp. 14-17; Surrebuttal-PSC-Hillebrand-1
WIEG: Yes. Mr. Hillebrand’s observation of the risk premium, and his calculation, are reasonable and his proposal should be adopted by the Commission. Ms. Hennings’ discussion of the “why” the risk premium exists—Contango—supports Mr. Hillbrand’s conclusion that the risk premium is real, as evidenced in his calculations over the past several years.		Direct-WIEG-Hennings-2-7; Surrebuttal-WIEG-Hennings-1-5 WIEG Opening Brief at 3-4.
Commission Staff: Yes	$21.3 million corporate or $16.7 WI retail	Direct-PSC-Hillebrand-2-6; Surrebuttal-PSC-Hillebrand-1-15; Tr. 130-145
COMMISSION ALTERNATIVES		
Alternative One: Adjust NYMEX futures prices used to forecast fuel commodity costs not covered by contract to reflect the historical relationship of futures prices to settlement prices.		
Alternative Two: Do not adjust NYMEX futures prices used to forecast fuel commodity costs not covered by contract to reflect the historical relationship of futures prices to settlement prices.		
Notes:		

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Issue 2: What is the appropriate fuel cost tolerance band (deadband)?
Issue Scope: Section PSC 116.06 (3), Wis. Admin. Code establishes a two percent fuel cost tolerance band "unless the Commission sets a different percentage when approving a fuel cost plan .... " WPSC requests a 1 percent fuel cost tolerance band for 2014. With the expiration of the Dominion purchased power agreement, WPSC is dependent on a greater quantity of electric power from power supply sources with greater cost uncertainty and volatility. As a result, WPSC has a greater potential for either non-recovery or over-recovery of fuel costs increases. (Direct-WPSC-Guntlisbergen-16.) WIEG testified that the deadband should be 2 percent, consistent with other jurisdictions. If it reduces the deadband, the Commission should also reduce the rate of return on equity. (Direct-WIEG-Hennings-7-8) WIEG witness Meyer testified that a 2 percent fuel cost tolerance band is necessary to provide utilities with an incentive to properly forecast and control fuel costs. (Surrebuttal-WIEG-Meyer-8-10.) With a 2 percent bandwidth, WPSC would be at risk for approximately $3.6 million or 30 basis points return on equity, after taxes. At the 1 percent level it is at risk for $1.8 million, or 15 basis points. (Direct-PSC-Hillebrand-8.)

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PARTY POSITIONS	AMOUNT*	TRANSCRIPT REFERENCES
WPSC: 1%. The 2% tolerance band puts both the utility and its customers at risk for over- and under-collections due to WPSC's increasing exposure to market volatility over which WPSC has no control. WIEG did not provide evidence to show how WPSC could insulate itself and its customers from market volatility. Reducing or eliminating the fuel tolerance band satisfies Commission staff's and CUB's concerns about WPSC over-collecting fuel costs because it would retain less in the event of an over-collection.	$3.6 million at risk with 2 percent deadband	Direct-WPSC-Guntlisbergen-16, 18
CUB: CUB supports WIEG's testimony that the deadband should be retained at 2 percent and notes in particular Ms. Hennings' and Mr. Hillebrand's testimony that reducing the deadband lowers risk to shareholders and passes that risk on to customers.		CUB IB, pp. 17-18; Direct-WIEG-Hennings-7-8; Hennings, Tr. 89-90; Surrebuttal-PSC-Hillebrand-15
WIEG: Retain the current 2 percent fuel cost tolerance band. The 2 percent tolerance band has been in place for many years and should continue at that level in order to protect ratepayers. The fuel band is necessary to provide utilities with an incentive to control fuel costs.	$3.6 million at risk with 2 percent deadband	Direct-WIEG-Hennings-7-8; Direct-WIEG-Meyer-6-8; Surrebuttal-WIEG-Meyer-8-9. WIEG Opening Brief, at 3-4.

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

COMMISSION ALTERNATIVES
Alternative One: Retain the current two percent fuel cost tolerance band.
Alternative Two: Adopt a one percent fuel cost tolerance band.
Alternative Three: Adopt a different fuel cost tolerance band percentage.
Notes:

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Issue 3: Should Minimum Rail Tonnage Obligations be eliminated from revenue requirement?		
Issue Scope: WIEG witness Phillips contests WPSC's recovery of $8.6 million of rail minimum tonnage obligation costs, asserting that these costs are not known and measurable, and that inclusion of these costs increases the likelihood that WPSC will over-collect on its fuel costs from ratepayers. (Rebuttal-WIEG-Phillips-2-4.) Under its current contract with Union Pacific, WPSC must ship a certain tonnage of coal or it will be subject to these minimum tonnage obligation costs. (Direct-WPSC-Guntlisbergen-5.) WPSC believes that WIEG's argument uses the wrong standard and ignores Generally Accepted Accounting Principles and the Commission's Uniform System of Accounts. Including these costs in WPSC's 2014 Fuel Cost Plan will not create a disincentive against WPSC's management of these costs. (Surrebuttal-WPSC-Kollmann-2.) The rail minimum obligation costs have been included in WPSC's rates since 2011, and since then, the company has consistently tried to find ways to minimize them. (Rebuttal-WPSC-Kollmann-4.) Since WPSC must accrue the rail minimum tonnage obligations in 2014, it should be allowed to recover these costs in its current rates. Alternatively, the Commission could allow WPSC to defer these costs for future recovery.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: No. These costs do not need to be "known and measurable" to be recoverable. That standard applies when the Commission uses a historical test year to set rates, not for a forward-looking test year. WPSC is able to calculate a reasonable estimate for these costs, which must be accrued under accounting principles and therefore paid by customers in the year they are forecasted. Including the 2014 accrued charges in 2014 is the most appropriate recovery method, but WPSC would not oppose a deferral. Again, lowering or eliminating the fuel tolerance band would alleviate concerns WPSC over-collects these costs.	$8.6 million corporate or $6.7 million WI retail	Direct-WPSC-Guntlisbergen-5-6; Rebuttal-WPSC-Kollmann-2-3, 5; Surrebuttal-WPSC-Kollmann-2

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WIEG: WPSC should not recover in 2014 rates any possible penalty related to its rail minimum tonnage obligation costs because its obligation is for the term of its contract. Even if it does not meet its minimum tonnage obligation costs in 2014, should it do so in subsequent years, it will, in fact, not be penalized for 2014. WPSC should not recover a possible penalty in 2014 because it is too speculative / not known and measureable.		Rebuttal-WIEG-Phillips-1c-9c; WIEG Opening Brief, at 2-3.
COMMISSION ALTERNATIVES		
Alternative One: Allow test-year recovery of rail minimum tonnage obligation costs.		
Alternative Two: Deny test-year recovery of rail minimum tonnage obligation costs.		
Alternative Three: Allow WPSC to defer minimum tonnage obligation costs for possible future recovery.		
Notes:		

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Issue 4: What is the appropriate forecast of sales of electricity to residential customers, given the enactment of new lighting efficiency standards?

Issue Scope: WPSC based its sales forecast on a statistically-adjusted end-use model, which takes into account, among other things, energy efficiency end-use and saturation forecasts from the Energy Information Administration (EIA). (Direct-WPSC-Clabots-15.) WPSC accepts EIA estimates because it is considered an expert in the field. (Rebuttal-WPSC-Clabots-3.) WPSC's forecast included an 18 percent drop in lighting usage from 2012 to 2014 due to the forecasted effect of new federal lighting standards contained in the Energy Independence and Security Act of 2007 (EISA). (Direct-PSC-Larson-3.)

Commission staff witness Chris Larson believes that the impact of EISA will be similar to impacts of demand side management (DSM) programs already included in recent sales trends, due to many factors that delay and temper the impact. (Direct-PSC-Larson-11.) Mr. Larson therefore increased residential sales of electricity by $10.8 million ($8.4 million net of associated fuel costs), based on a three-year average of usage per customer and increased customer counts. (Ex.-PSC-Larson-1r, Direct-PSC-Larson-10-12.) WPSC was unable to provide several key assumptions which would materially affect the impact of EISA on 2014 sales. (Direct-PSC-Larson-4-9.)

WPSC points to a decrease in 2013 year to date sales as support for its position. (Direct-WPSC-Clabots-8-9.) Commission staff witness Mr. Larson counters that this information was not available during the audit and has not been reviewed, and that the numbers are subject to potentially significant adjustments due to methodology differences and error correction. (Tr. 151-152.) WPSC underestimated residential electric sales by 1.0 and 1.9 percent in 2011 and 2012, respectively. (Direct-PSC-Larson-9.)

Two middle ground options were also presented. WPSC testified that if the Commission doesn't believe that its year-to-date 2013 forecast variance is within normal forecast variation, it could increase WPSC's 2014 forecast by 1.4 percent. (Rebuttal-WPSC-Clabots-12.) Mr. Larson testified that, if the Commission believes that the impact of EISA on test-year sales will be more than that of recent state and federal DSM programs, it could reduce his estimated residential sales of electricity by $1.2 million, based on estimates of the many variables involved. (Surrebuttal-PSC-Larson-4-8, Ex.-PSC-Larson-2.)

Wisconsin Industrial Energy Group (WIEG) testified that it believed that an increase of $8.2 million to WPSC's estimate of residential revenues (net of fuel cost) would be reasonable. (Direct-WIEG-Meyer-2-6.)

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

PARTY POSITIONS	AMOUNT*	TRANSCRIPT REFERENCES
WPSC: Commission staff's summary of the issue is unbalanced and its adjustment is not justified. WPSC's sophisticated end-use model incorporates data from objective sources (Moody's Analytics and EIA) that account for expected changes that will impact sales and demand. By contrast, Commission staff substitutes these objective data and methodology with subjective opinions based on limited data. The fact that Commission staff has not audited year-to-date actual 2013 sales, which show a consistent decline, does not render them irrelevant. WIEG's sales forecast methodology was result-driven and should be not be considered.		Direct-WPSC-Clabots-14-22; Rebuttal-WPSC-Clabots-10-14
CUB: CUB supports Commission staff's position.		CUB IB, p. 14
WIEG: WPSC's residential electric forecast should be adjusted by $8.2 million because the utility understated the Rg-1 and Rg-2 residential sales revenues. WPSC's understatement of revenues resulted from (1) under representing the average usage per customer per degree day (which equals $6.6 million) and (2) underestimating the customer growth rate ($1.6 million).		Direct-WIEG-Meyer-2-6; Surrebuttal-WIEG-Meyer-5-6. WIEG Opening Brief, at 1-2.
Commission Staff: WPSC's residential electric sales forecast should be adjusted by $10.8 million, to $364.0 million.	$8.4 million	Direct-PSC-Larson-2-12; Rebuttal PSC-Larson-2-12; Surrebuttal PSC-Larson-1-8

COMMISSION ALTERNATIVES
Alternative One: Accept utility estimate of residential electric sales: $353.2 million.
Alternative Two: Adjust utility estimate by 1.4 percent of residential electric sales: $357.7 million.
Alternative Three: Adjust Commission staff estimate by one half estimated impact of lighting standards $362.8 million.
Alternative Four: Accept Commission staff estimate of residential electric sales: $364.0 million.
Alternative Five: Accept WIEG's proposal to increase WPSC's estimate of residential revenues (net of fuel cost) by $8.2 million.
Notes:

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Issue 5: What are appropriate employee wage assumptions for the 2014 test-year period and what effects of the assumptions should be incorporated in revenue requirements? (Uncontested)		
Issue Scope: The utility test-year revenue requirement includes certain employee wage assumptions. Commission staff witness Ms. Spanjar adjusted several components and assumptions related to these estimates, not all of which are contested. Specifically, the wage assumptions related to Labor Union Local 420 is contested.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: On September 20, 2013, Local 420 ratified a new contract. Accordingly, wage assumptions related to Labor Union Local 420 should be included in rates.	Electric: $355,000 union wages, $310,000 capitalized benefit, ($1,647,000) medical benefits, all on corporate basis or net WI retail of ($879,000) Gas: $97,000 union wages, $83,000 capitalized benefit, ($438,000) medical benefits, all on corporate basis or net WI retail of ($255,000)	Rebuttal-WPSC-Cleary-15p Sur-surrebuttal-WPSC-Moras-1-2

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits. CAS:cmk:DL: 00884432

CUB: CUB supports Commission staff's position.		CUB IB, p. 14
Commission Staff: If the Commission incorporates the recently ratified union wage increase in revenue requirement it should also incorporate any benefit concessions that are also part of the ratified union contract. Commission staff's estimates for non-union employees are reasonable because they incorporate actual 2013 and estimated 2014 wage factors that are higher than the ratified union contract wage factors on an annualized basis.		Direct-PSC-Spanjar-5p-6p, 8p-11p, Tr. 146-149, Sur-surrebuttal-WPS-Moras 1-2
COMMISSION ALTERNATIVES		
Uncontested Alternative: Incorporate the recently ratified union wage increases into estimates for union employees' payroll expense and reduce benefits expense associated with union benefits concessions.		
Notes:		

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Issue 6: Is incentive compensation for utility employees appropriate to be included in revenue requirement?		
Issue Scope: The utility test-year revenue requirement includes incentive compensation for executive and non-executive payroll. Ms. Spanjar did not include these components in her estimated revenue requirement for the test year 2014.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: Include the costs for non-executive and a portion (confidential) of the costs for executive incentive compensation. The evidence demonstrates that the metrics related to these costs provide direct benefits to customers by reducing O&M costs to be recovered in rate cases, improving customer service, safety and reliability, and reducing environmental impacts. The incentive compensation payouts are a portion of employees' market-level cash compensation that has been put "at-risk", which is necessary to retain and attract talented employees. Regulated Integrys affiliates in other states, including Illinois, are allowed to recover incentive compensation tied to similar factors.	Electric: $5.0 million WI retail Gas: $1.5 million WI retail	Direct-WPSC-Cleary-5, 7, 9-11 Ex.-WPSC-Cleary-1 Rebuttal-WPSC-Cleary-3-5, 7, 9-11
CUB: CUB supports Commission staff's position.		CUB IB, p. 14
Commission Staff: Exclude incentive compensation based on past Commission decisions and WPSC has not demonstrated a direct benefit to ratepayers in excess of the compensation cost.		Direct-PSC-Spanjar-5c-8c, Surrebuttal-PSC-Spanjar-1-5
COMMISSION ALTERNATIVES		
Alternative One: Include non-executive incentive compensation expense in electric and natural gas revenue requirements.		
Alternative Two: Include executive and non-executive incentive compensation expense that is not tied directly to the financial performance of the utility in electric and natural gas revenue requirements.		
Alternative Three: Include a specified portion of incentive compensation expense in electric and natural gas revenue requirements.		
Alternative Four: Exclude all incentive pay from revenue requirement.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Issue 7: Should economic development expenses be included in revenue requirement for the 2014 test year?		
Issue Scope: The utility estimated revenue requirement includes economic development expenses. In recent rate case decisions, the Commission has allowed rate recovery of economic development expenses related to customer assistance and business/load retention. WPSC opposes Ms. Spanjar's electric adjustment of ($122,000) and gas adjustment of ($30,000).		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: Yes. WPSC should be allowed to recover the full $304,000 it expects to spend in 2014 to support economic growth in its service territory. Although not specifically labeled or distinguished as such, these costs squarely fall within the recoverable terms "customer assistance" and "business/load retention" as they will benefit customers and retain or increase load in the company's service territory.	Electric: $119,000 WI retail Gas:$30,000 WI retail	Rebuttal-WPSC-Moras-4
CUB: CUB supports Commission staff's position.		CUB IB, p. 14
Commission Staff: Allow 50 percent of the budget as an estimate of economic development expenses related to customer assistance and business/load retention.		Direct-PSC-Spanjar-14c-15c, Surrebuttal-PSC-Spanjar-6
COMMISSION ALTERNATIVES		
Alternative One: Include economic development expenses in revenue requirement as requested by WPSC.		
Alternative Two: Include economic development expenses associated with customer assistance and business/load retention as forecasted by Commission staff in revenue requirement.		
Alternative Three: Exclude 75 percent or more of the economic development expenses based on the sales promotional nature of such forecasted costs.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

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<table>
<tr><td colspan="3">Issue 8: Should an updated estimate of test year pension and benefit costs relating to the return on pension assets and the discount rate assumption be incorporated in the electric revenue requirement? (Uncontested)</td></tr>
<tr><td colspan="3">Issue Scope: WPSC proposed to provide a delayed exhibit approximately seven days before the discussion of record in this proceeding that would provide an update of discount rates used for the actuarially calculated pension and post–retirement welfare plan costs, and that the cost impact of these updated discount rates be incorporated in the final revenue requirements. (Direct-WPSC-Phillips-4.)

In the last several WPSC rate cases, the Commission allowed WPSC to provide an update of its pension and benefits costs prior to the Commission decision that included an update of both the discount rate and updated pension asset valuation information. (Direct-PSC-Spanjar-17p.)</td></tr>
<tr><td>PARTY POSITIONS</td><td>AMOUNT*</td><td>TRANSCRIPT REFERENCES</td></tr>
<tr><td>WPSC: Yes.</td><td rowspan="2"></td><td>Direct-WPSC-Phillips-4</td></tr>
<tr><td>Commission Staff: Commission staff is not opposed to the provision of the pension and benefits information in a delayed exhibit as long as both the discount rate and asset valuation information are included in the delayed exhibit. (Direct-PSC-Spanjar-17p.)</td><td>Direct-PSC-Spanjar-17p</td></tr>
<tr><td colspan="3">COMMISSION ALTERNATIVES</td></tr>
<tr><td colspan="3">Uncontested Alternative: Include WPSC’s updated estimate of pension and benefit costs relating to the return on pension assets and the discount rate assumption in the electric and natural gas revenue requirement.</td></tr>
<tr><td colspan="3">Notes:</td></tr>
</table>

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Issue 9: Should revenue requirement be adjusted to include the effect of a Wisconsin tax law change? (Uncontested)		
Issue Scope: The 2013-2015 Wisconsin Budget Bill includes amendments to Wisconsin tax law that adopts federal depreciation and amortization starting in 2014. The bill provides “catch-up” adjustments for bonus depreciation to be taken over five years. The resulting accumulated deferred income tax (ADIT) difference will increase the ADIT balance, resulting in a decrease in net investment rate base and thus a decrease in test-year revenue requirement. (Direct-PSC-Spanjar-20p.)		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: Yes**.**	Electric: ($61,000) Gas: ($12,000) WI retail	
COMMISSION ALTERNATIVES		
Uncontested Alternative: Yes, the revenue requirement should be adjusted to include the effect of the 2013-2015 Wisconsin Budget Bill tax law change.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits. CAS:cmk:DL: 00884432

Issue 10: Should revenue requirement be adjusted to remove the effect of an NOL carry forward? (Uncontested)		
Issue Scope: Commission staff's revenue requirement currently reflects a deferred tax asset related to a federal Net Operating Loss (NOL) Carry Forward estimated to be established during 2013 as WPSC proposed in its rate case filing. Commission staff adjustments in this proceeding no longer result in an NOL position for 2013, and thus the effects of a 2013 NOL should be eliminated from test-year revenue requirement. (Direct-PSC-Spanjar-20p-21p.)		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: Uncontested.	Electric: ($129,000) Gas: ($26,000) WI retail	
COMMISSION ALTERNATIVES		
Uncontested Alternative: Yes, the revenue requirement should be adjusted to remove the effect of an NOL carry forward.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Issue 11: Should revenue requirement be adjusted to include the effect of deferred tax proration? (Uncontested)		
Issue Scope: Federal tax normalization rules require that a deferred tax proration adjustment be made when setting rates based on a forecasted test year. WPSC witness Mr. Wilde and Commission staff witness Ms. Spanjar omitted this adjustment from estimated revenue requirement. (Direct-WPSC-Wilde-10-11.) Ms. Spanjar concurs with the company that revenue requirement should be increased to reflect the tax proration to avoid the risk that WPSC could lose its ability to claim accelerated depreciation in the future. (Surrebuttal-PSC-Spanjar-7.)		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: Yes. The adjustment to rate base is an increase of $6.1 M, and the adjustment to revenue requirement is an increase of approximately $700K on a corporate basis.	Increases of $556,000 Electric $37,000 Gas WI retail	Direct-WPSC-Wilde-10-11
COMMISSION ALTERNATIVES		
Uncontested Alternative: Yes, the revenue requirement should be adjusted to include the effect of deferred tax proration.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits. CAS:cmk:DL: 00884432

Issue 12: Should the Electric Revenue Stability Mechanism and the Gas Revenue Stability Mechanism be continued indefinitely?
Issue Scope: The Electric Revenue Stability Mechanism (Electric RSM) and the Gas Revenue Stability Mechanism (Gas RSM) were initially proposed in a stipulation between WPSC and CUB in the fall of 2008 in docket 6690-UR-119. These mechanisms were in place for four years until the terms of the stipulation expired at the end of 2012. In the fall of 2012, the Commission accepted a settlement proposal made by WPSC in docket 6690-UR-121 to replace the expiring Electric RSM and the Gas RSM with modified RSMs. The modified RSMs have been in place for 2013. These modified RSMs differed from the original RSMs in several ways. First, the modified RSMs included revenue from monthly customer charges and removed consumption per customer as a factor. Secondly, the modified Electric RSM changed the way that the margin per kilowatt-hour (kWh) was determined. The original Electric RSM subtracted the average locational marginal pricing (LMP) over the course of the year to determine margins. The modified Electric RSM substituted WPSC's monitored fuel cost per kWh for the LMP in the formula. WPSC is proposing to continue the current Electric RSM and the Gas RSM indefinitely. The test-year amounts associated with the 2012 electric over-recoveries is $12,764,456 and $7,877,276 for the gas 2012 under-recoveries. WPSC continues to book 2013 gas and electric over/under-recoveries pursuant to the RSM tariffs on file with this Commission.

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits. CAS:cmk:DL: 00884432

PARTY POSITIONS	AMOUNT*	TRANSCRIPT REFERENCES
WPSC: Yes. The RSMs should be authorized on a permanent basis without caps. RSMs without caps (1) mitigate risks to the utility and customers from under- or over-collection from variations between sales forecasts underlying rates and actual sales due to weather, the economy and energy efficiency, and (2) removes financial incentives utilities have to maximize sales.		Direct-WPSC-Kyto-17-20
CUB: CUB supports Alternative One. The pilot decoupling program failed to promote a permanent realignment of WPSC management's financial interests with its customers economic interests since the Company is now no longer willing to do anything other than "business as usual" with its new decoupling proposal. The Company should not be rewarded with such a significant risk-reducing true-up mechanism simply for "moving toward indifference" of its sales volumes.		CUB IB, pp. 18-20; Direct-CUB-Wallach-5-8; Surrebuttal-CUB-Wallach-2-3
Commission Staff: An "offer and acceptance" price is more straightforward than a price subject to an adjustment to what the Commission ultimately decides is a reasonable sales estimate. The loss of the mechanism will not lead to sales promotion of inefficient or impractical uses of energy. The loss of the mechanism will not lead to financial harm. No party is willing to "negotiate" concessions for the mechanism and WPSC is not offering ratepayers anything in return.		Direct-PSC-Bauer-21-22 Direct-PSC-Feit-4-5 Direct-PSC-Feit-6 Direct-PSC-Feit-7-8 Direct-PSC-Bauer-22-24

COMMISSION ALTERNATIVES
Alternative One: Discontinue the Gas and Electric Revenue Stability Mechanisms after applying the rate adjustment mechanism for the booked 2013 under/over recoveries.
Alternative Two: Continue the current Gas and Electric Revenue Stability Mechanisms indefinitely.

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Notes:

Issue 13: If the Electric RSM and the Gas RSM are continued, should changes be made to the components of the formulas and should the caps on the Electric RSM and the Gas RSM be removed or other conditions be imposed?		
Issue Scope: The current RSMs that WPSC proposed in its settlement proposal last year and that are currently in place differ in several ways from the Electric RSM and the Gas RSM that were originally approved by the Commission in 2008. First, the modified RSMs included revenue from monthly customer charges and removed consumption per customer as a factor. Secondly, the modified Electric RSM changed the way that the margin per kWh was determined. The original Electric RSM subtracted the average LMP over the course of the year to determine margins. The modified Electric RSM substituted WPSC's monitored fuel cost per kWh for the LMP in the formula. WPSC is proposing to retain the modified RSM formulas. The maximum amount that can be collected or refunded in a future year is capped at $14 million for the Electric RSM and $8 million for the Gas RSM. WPSC is proposing to eliminate these caps.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: The RSMs were shown to operate as designed, and the Commission should authorize the RSMs on a permanent basis unchanged except for removing the caps.		Direct-WPSC-Kyto-17-20
CUB: Yes. The caps should be retained, the Company's ROE should be lowered to 8.75 percent, and all of the other conditions identified in Mr. Wallach's testimony should be imposed if the RSMs are continued over CUB's objection.		CUB IB, pp. 20-21; Direct-CUB-Wallach-9-10; Surrebuttal-CUB-Wallach-4; Direct-CUB-Hill-4, 38-43; Surrebuttal-CUB-Hill-16-18

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

COMMISSION ALTERNATIVES
Alternative One: If the Electric and Gas RSMs are continued, remove the caps and do not impose any additional conditions.
Alternative Two: If the Electric and Gas RSMs are continued, retain the caps and impose the conditions proposed by CUB.
Alternative Three: If the Electric and Gas RSMs are continued retain the caps and revise the Electric RSM formula as proposed by the Commission staff.
Notes:

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Issue 14: Should the Commission authorize recovery of deferrals from the settlement in 6690-UR-121?

Issue Scope: The Final Decision in docket 6690-UR-121 authorized deferral of approximately $8.7 million for electric and $2.1 million for gas as part of a settlement which resulted in no change in rates for 2013. These deferrals were to reflect the incremental cost of debt for electric, and the updated pension and benefits costs for electric and gas. The company has over-earned on a regulatory basis for the last three years. The company is also over-earning in 2013 year to date. All but $633,000 to correct for the incremental pension and benefits costs is currently included in Commission staff's revenue requirement forecast. (Tr. Direct-PSC-Spanjar-27p-29p.)

PARTY POSITIONS	AMOUNT*	TRANSCRIPT REFERENCES
WPSC: Yes. WPSC understood that this issue was uncontested. The 6690-UR-121 approved settlement document defers electric and gas increases for recovery at a later date. No provision was made in the settlement for an earnings review.	Electric: $633,000 WI Retail	Rebuttal-WPSC-Moras-2-3 Sur-surrebuttal-WPSC-Moras-2-3
CUB: CUB supports Commission staff's position.		CUB IB, p. 14
Commission Staff: The Commission may want to conduct a 2013 earnings review before considering whether it is reasonable to allow recovery of the deferred costs from 2013.		Direct-PSC-Spanjar-27p-29p

COMMISSION ALTERNATIVES

Alternative One: Include settlement deferrals from docket 6690-UR-121 in test year 2014 revenue requirement.

Alternative Two: Delay recovery of settlement deferrals to a future case after an earnings review for 2013 is conducted.

Notes:

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Issue 15a: Should the Commission authorize WPSC to recover environmental mitigation project costs arising from the consent decree?		
Issue Scope: WPSC entered into a consent decree with the EPA on January 4, 2013, that was subsequently approved by the court on March 7, 2013, as a result of a settlement with the EPA for alleged violations of the Clean Air Act. Part of the settlement requires the company to spend $6 million on environmental mitigation projects over a five-year period. Although not included in its filing, WPSC is requesting to recover $2.1 million it projects to incur in 2014 for a portion of the $6 million. The proposed environmental mitigation projects (EMPs) have not receive EPA approval as of the closing of the hearing record in this case. (Tr. Direct-PSC-Spanjar-30p-36p.)		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: Yes. Consistent with Commission precedent, the Commission should authorize recovery for EMP costs because these costs are not penalties and were paid as a result of a settlement WPSC prudently entered into that provided substantial ratepayer benefits. The costs were also properly accounted for under GAAP rules.	Electric: $1.0 million WI retail revenue requirement	Rebuttal-WPSC-Giesler-3, 5-8; Rebuttal-WPSC-Kallas-3-5
CUB: CUB supports Commission staff's position.		CUB IB, p. 14
Commission Staff: Commission staff expressed concern as to whether it is appropriate to provide rate recovery in 2014 for accrued costs that were denied deferral authorization. The (EMPs) could be viewed as penalties that should not be recovered from ratepayers if the EMPs are not utility related and do not provide substantial ratepayer benefit.		Direct-PSC-Spanjar-30p-36p, Ex.-PSC-Spanjar-2
COMMISSION ALTERNATIVES		
Alternative One: Include the revenue requirement impacts of the environmental mitigation costs forecasted to be incurred in 2014 in revenue requirement.		
Alternative Two: Include the revenue requirement impacts of a specified portion of the environmental mitigation costs forecasted to be incurred in 2014 in revenue requirement.		
Alternative Three: Deny recovery of all environmental mitigation costs associated with the EPA consent decree.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Issue 15b: Should the Commission authorize WPSC to recover costs of meeting more stringent emissions limits at the Edgewater 4 power plant arising from the consent decree?

Issue Scope: Commission staff offers the Commission the option of considering decreasing fuel cost to reflect the removal of the estimated impact of meeting the Consent Decree SO_2 and NO_x limitations at the Edgewater 4 power plant. In addition to agreeing to pay certain civil forfeitures and agreeing to fund certain environmental mitigation projects, WPSC is subject to more stringent SO_2 and NO_x limits at the affected plants. WPSC has not reflected any additional costs in the test year for compliance with Consent Decree emissions limits at its own plants. They would, however, include the actual cost of compliance in reported monitored fuel costs. Therefore, there is the possibility that WPSC could exceed the deadband and defer and recover those costs. The Commission may want to consider if these costs should be excluded from revenue requirement, as the more stringent emission limits could be viewed as a de facto fine or penalty or in lieu of additional fines or penalties for alleged environmental violations. (Direct-PSC-Hillebrand-7.)

PARTY POSITIONS	AMOUNT*	TRANSCRIPT REFERENCES
WPSC: Yes. For the same reasons that the EMPs are not penalties, these emission limits are not penalties.	$626,000 corporate or $490,000 WI retail	Rebuttal-WPSC-Giesler-7-8
CUB: CUB supports Commission staff's position.		CUB IB, p. 14
Commission Staff: The Commission may want to consider whether these costs should be excluded from revenue requirement.		Direct-PSC-Hillebrand-7

COMMISSION ALTERNATIVES

Alternative One: Allow recovery of incremental emissions compliance costs associated with consent decrees.

Alternative Two: Exclude incremental emissions compliance costs associated with consent decrees from revenue requirement, but allow inclusion of those costs in actual reported monitored fuel costs.

Alternative Three: Exclude incremental emissions compliance costs associated with consent decrees from revenue requirement, and exclude those costs from actual reported monitored fuel costs.

Notes:

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Issue 16: Are all of WPSC's proposed 2014 customer service conservation activities appropriate for inclusion in the conservation escrow budget?		
Issue Scope: In its July 13, 2012, Order in docket 5-BU-102, the Commission provided guidance for the inclusion of Customer Service Conservation (CSC) activities and services in the conservation escrow budget. Commission staff witness Carol Stemrich concluded that while all of WPSC's proposed 2014 CSC activities are reasonable for a utility to provide its customers, not all of the proposed activities meet the Commission's definition of CSC activities for inclusion in the escrow budget. Ms. Stemrich identified activities and services provided for which less than 51 percent of the activity or service was related to energy efficiency. These consist of the labor provided by a number of WPSC's work groups, such as the Customer Call Center, and a JD Power study. (Direct-PSC-Stemrich-2 to 4.) WPSC witness Cheri A. Salmon testified that all of the activities WPSC included in its proposed conservation escrow budget are appropriate CSC activities and points out that only funding for that portion of the project related to energy efficiency is included in WPSC's proposed conservation escrow budget. (Rebuttal-WPSC-Salmon-2 to 3.)		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: Yes. The Commission should reject Commission staff's $1.3 million adjustment to the conservation escrow budget. The activities and services Commission staff identifies as not meeting the 51% threshold, promote and enhance energy efficiency information and should be deemed CSC-qualified. WPSC delivers numerous energy-efficiency CSC-qualified activities through joint teams that also provide other services to customers. It is administratively costly and inefficient to separate out these resources.		Rebuttal-WPSC-Salmon-2-3
CUB: CUB supports Commission staff's position.		CUB IB, p. 14
Commission Staff: No. Activities and services that do not meet the 51 percent threshold are not CSC-qualified. Having these activities and services fully funded through O&M does not result in costly and inefficient separation of these resources.		Direct-PSC-Stemrich-2 to 4
COMMISSION ALTERNATIVES		
Alternative One: WPSC's proposed 2014 customer service conservation activities are appropriate for inclusion in the conservation escrow budget.		
Alternative Two: Activities and services for which less than 51 percent is related do not meet the Commission's definition of customer service conservation and are not appropriate for inclusion in the conservation escrow budget.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Issue 17: What are the appropriate electric and natural gas conservation escrow expense levels to be included in revenue requirement? (Uncontested)		
Issue Scope: Commission staff witness Ms. Spanjar's analysis of escrowed conservation expenses includes reviewing the proposed test–year conservation expenditures, forecasting the over-spent balance at and beginning of the test year, and reviewing the company's forecasted amortization expense associated with previously escrowed conservation expenditures. Ms. Spanjar made adjustments to the over-underspent conservation escrow balances to reflect corrections to the amortizations of the estimated balances as of January 1, 2014, and propose additional adjustments to the spending levels are needed to reconcile the spending levels included in revenue requirement compared to the conservation escrow budgets that Commission staff witness Carol Stemrich reviewed.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: Uncontested, except for Issue 16.	Electric: $87,996 corporate basis Gas: ($1,929,156) corporate basis	
CUB: CUB supports Commission staff's position.		CUB IB, p. 14
Commission Staff: Reduce the conservation amortization expense by $1,214,000 for electric operations and increase the gas amortization by $481,000 to reflect corrections to the amortizations of the estimated over-underspent conservation balances estimated January 1, 2014. Additional conservation spending adjustments are needed in the amount of $87,996 additional expense for electric operations and $1,929,156 reduction in expense for the natural gas operations are needed to reflect the company-proposed conservation spending levels.		Direct-PSC-Spanjar-13p-14p
COMMISSION ALTERNATIVES		
Uncontested Alternative: Adjust the conservation amortization expense to reflect corrections to the amortizations of the estimated over-underspent conservation balances estimated at January 1, 2014 and adjust the spending levels to reflect the company proposed conservation levels.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits. CAS:cmk:DL: 00884432

Issue 18: What is the appropriate 2014 conservation escrow budget?

Issue Scope: WPSC's proposed a 2014 conservation escrow budget of $24,217,236, with $17,757,790 allocated to electric operations and $6,459,446 to natural gas operations. As reflected in the testimony of Commission staff witness Candace Spanjar, Commission staff moved the dollars associated with payments to the Department of Administration for low income weatherization and fuel assistance ($2,059,524, with $1,235,714 allocated to electric and $823,810 allocated to natural gas) from the conservation escrow budget to operating and maintenance. Commission staff witness Carol Stemrich proposed additional adjustments to WPSC's proposed conservation escrow budget. These adjustments include labor dollars as shown in the table below associated with activities for which less than 51 percent of the activity is associated with energy efficiency. The labor dollars in the table are only the portion of the labor dollars of each work group that WPSC allocated to the conservation escrow budget. The adjustments also include $7,500 for the JD Power study and $8,000 for a customer satisfaction survey. With the exception of $8,000 for the customer satisfaction survey, the dollars would continue to be included in revenue requirement. (Direct-Stemrich-3 to 5.)

Work Group	$ Total	$ Electric	$ Natural Gas
Customer Call Center	491,271	294,763	196,508
Business Solutions Center	186,002	111,601	74,401
Residential Billing Team	33,227	19,936	13,291
Agriculture Group	29,360	17,616	11,744
Account Management Group	499,870	299,923	199,947
Communications Support	30,139	18,083	12,056
Total	$1,269,869	$761,922	$507,947

WPSC witness Cheri Salmon testified that all prudent costs associated with providing customers information about their energy use should be allowable customer service conservation expenditures (CSC) and not be subject to the 51 percent limit as provided in the Commission's Order in docket 5-BU-100. (Rebuttal-WPSC-Salmon-2 to 3.) Ms. Salmon did not address Ms. Stemrich's proposed adjustment of $8,000 for the customer satisfaction survey.

PARTY POSITIONS	AMOUNT*	TRANSCRIPT REFERENCES
WPSC: Unconstested, except for Issue 16.		
CUB: CUB supports Commission staff's position.		CUB IB, p. 14

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Commission Staff: The appropriate budget is $20,872,343, with $15,750,854 allocated to electric and $5,121,489 allocated to natural gas. Commission staff removed dollars associated with activities for which less than 51 percent of the activity is associated with energy efficiency. Only the adjustment for the customer satisfaction survey impacts revenue requirement. Commission staff adjustments are consistent with the Commission's Order in docket 5-BU-102 regarding the inclusion of CSC dollars in the conservation escrow.	Electric operations: $4,800 Natural gas operations: $3,200	Direct-PSC-Stemrich-2 to 5; Tr. 156
COMMISSION ALTERNATIVES		
Alternative One: The appropriate 2014 conservation escrow budget is $22,157,712, with $16,522,076 allocated to electric and $6,377,065 allocated to natural gas. This is WPSC's proposed budget minus an adjustment to shift low –income assistance dollars from the escrow budget to O&M.		
Alternative Two: The appropriate 2014 conservation escrow budget is $22,149,712, with $16,517,276 allocated to electric and $6,373,865 allocated to natural gas. This is WPSC's proposed budget minus an adjustment to shift low-income assistance dollars from the escrow budget to O&M and to remove $8,000 for a customer satisfaction survey.		
Alternative Three: The appropriate 2014 conservation escrow budget is $20,872,343, with $15,750,854 allocated to electric and $5,121,489 allocated to natural gas. This reflects the shift of low-income assistance dollars from the escrow budget to O&M, the shift of dollars for services and activities not meeting the 51 percent threshold to O&M, and the removal of the dollars for a customer satisfaction survey.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Issue 19: How should metrics for WPSC's 2014 customer service conservation activities be developed? (Uncontested)		
Issue Scope: The Commission's July 13, 2012, Order in docket 5-BU-102 requires utilities to work with Commission staff to develop metrics for their customer service conservation activities to ensure funds spent provide a useful service to ratepayers. WPSC did not propose any metrics for its customer service conservation activities. Ms. Stemrich testified that WPSC should be required to work with Commission staff on metrics and that the metrics should reflect the Commission's decisions regarding the inclusion of various activities and services in WPSC's 2014 conservation escrow budget.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: Uncontested		
COMMISSION ALTERNATIVES		
Uncontested Alternative: WPSC shall work with Commission staff to develop metrics for the customer service conservation activities approved for inclusion in the conservation escrow budget.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Issue 20: Should Commission staff's other audit adjustments made or proposed to the WPSC's filed revenue requirements and uncontested corrections be included in the final revenue requirement approved in this proceeding? (Uncontested)		
Issue Scope: There are a number of Commission staff adjustments or proposed adjustments that are not contested by any party that the Commission needs to incorporate in electric and natural gas revenue requirements. (Ex.-PSC-Spanjar-1 Schedule 3, Rebuttal-WPSC-Moras-2.)		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: Uncontested		
COMMISSION ALTERNATIVES		
Uncontested Alternative: Reflect in revenue requirement the Commission staff adjustments and corrections not contested by any party and not listed separately as contested for a Commission decision.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Issue 21: What is an appropriate capital structure?

Issue Scope: Commission staff witness Lois Hubert presented two capital structures in her testimony. Each serves a different purpose; one is the financial capital structure and the other the regulatory, or ratemaking, capital structure.

The financial capital structure is intended to reflect WPSC's capitalization giving consideration to the company's total assets, including those not allowed in rate base, and debt attribution relating to the off-balance sheet obligations. The Commission's long-term equity range for WPSC is set on the basis of the company's financial capital structure. The financial capital structure is ordinarily the one used to determine credit ratings. Commission staff generally looks to the financial markets when developing options regarding the appropriate equity level for WPSC.

The weighted cost of capital used for ratemaking is calculated on the regulatory capital structure. The regulatory capital structure is also based on booked capitalization, but includes adjustments determined by the Commission. For example, the Commission, in docket 6690-UR-113, determined that investment in ATC should be excluded from the regulatory capital structure for WPSC.

The following table shows Ms. Hubert's test-year estimate of WPSC's financial and regulatory capital structures as shown on Schedule 1 of Ex.-PSC-Hubert-1:

	Financial	Regulatory
Common Stock	$ 1,389,557,183	$ 1,389,557,183
Goodwill	(0)	(36,400,146)
ATC Investment, Non-utility Investments and other deductions		(29,154,718)
Adjusted Common Equity	$ 1,389,557,183	$ 1,324,002,319
Preferred Stock	$ 49,888,200	$ 49,888,200
Long-term Debt	$ 1,175,100,000	$ 1,175,100,000
Short-term Debt	91,554,986	91,554,986
Off-Balance Sheet Adj.	18,430,000	
Adjusted Debt	$ 1,285,084,986	$ 1,266,654,986
Total Capitalization	$2,724,530,369	$2,640,545,505
Equity in Capital Structure	51.00%	50.14%

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Issue 21a: What is a reasonable long-term range for common equity in WPSC's financial capital structure? (Uncontested)		
Issue Scope: Both WPSC and Commission staff supported continuation of the equity range of 49 percent to 54 percent.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: 49 percent – 54 percent is an appropriate range because it supports WPSC's current credit ratings by S&P and Moody's, helps the company maintain its financial strength and ensures that WPSC has access to capital markets at reasonable rates, all of which benefits customers.		Direct-WPSC-Gast-6-9
Commission Staff: Continue equity range of 49 percent to 54 percent for financial capital structure.		Direct-PSC-Hubert-2, 14 Ex.-PSC-Hubert-1
COMMISSION ALTERNATIVES		
Uncontested Alternative: A reasonable long-term range for common equity in WPSC's financial capital structure is 49 to 54 percent.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits. CAS:cmk:DL: 00884432

Issue 21b: What is the appropriate common equity ratio target for WPSC's financial capital structure? (Uncontested)		
Issue Scope: Both WPSC and Commission staff support continuation of the common equity ratio target of 51.0 percent.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: WPSC requests a target level for the test year average common equity of 51% measured on a financial basis.		Direct-WPSC-Gast-8-9
Commission Staff: Continue equity target of 51.0 percent for financial capital structure.		Direct-PSC-Hubert-2, 5, 14 Ex.-PSC-Hubert-1
COMMISSION ALTERNATIVES		
Uncontested Alternative: A reasonable target level for WPSC's test-year average common equity measured on a financial basis is 51 percent.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits. CAS:cmk:DL: 00884432

Issue 21c: Should equity infusions from IEG be limited to only those that do not result in WPSC holding cash investments? (Uncontested)		
Issue Scope: Both WPSC and Commission staff balanced their financial capital structure to the common equity ratio target of 51.0 percent when developing their test-year capital structures.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: Uncontested		
Commission Staff: The Commission has, in past years, limited the amount of equity infusion to the lesser amount needed to achieve a test-year average equity ratio, on a financial basis, approximating the target level or the amount found not to result in cash or cash equivalent holdings.		Direct-PSC-Hubert-14-15 Ex.-PSC-Hubert-1
COMMISSION ALTERNATIVES		
Uncontested Alternative: The amount of equity infusion to be included in the test-year capital structure shall be limited to the lesser of the amount needed to achieve a test-year average equity ratio on a financial basis approximating the target level established by this Commission or the amount found not to result in cash or cash equivalent holdings.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Issue 21d: What is the amount of debt-equivalent for off-balance sheet obligation categories of advances from affiliated companies, affiliated capital leases, purchased power capital leases, guarantees, underfunded pension and other post-retirement employee benefit plans, and asset retirement obligations to be imputed into the financial capital structure for the test year? (Uncontested)		
Issue Scope: Neither WPSC nor Commission staff included any debt imputation for advances from affiliated companies, affiliated capital leases, purchased power capital leases, guarantees, underfunded pension and other post-retirement employee benefit plans, and asset retirement obligations.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: Uncontested		Ex.-WPSC-Gast-2c, Sch. 1
Commission Staff: WPSC's exclusions are reasonable and consistent with previous Commission determinations.		Direct-PSC-Hubert-5-7, 13-14 Ex.-PSC-Hubert-1, Sch. 1
COMMISSION ALTERNATIVES		
Uncontested Alternative: No debt equivalent for off-balance sheet obligation categories of advances from affiliated companies, affiliated capital leases, purchased power capital leases, guarantees, underfunded pension and other post-retirement employee benefit plans, and asset retirement obligations is imputed into the financial capital structure for the test year.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Issue 21e: What is the debt equivalent of WPSC's off-balance sheet obligations relating to non-purchased power operating leases? (Uncontested)		
Issue Scope: Commission staff calculated imputed debt of $509,340 (rounded to $509,000) related to debt associated with non-purchased power operating leases.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: Uncontested		Ex.-WPSC-Gast-2c, Sch. 1
Commission Staff: Include $509,000 of imputed debt in financial capital structure.		Direct-PSC-Hubert-5-8 Ex.-PSC-Hubert-1, Sch. 1 Ex.-PSC-Hubert-2C
COMMISSION ALTERNATIVES		
Uncontested Alternative: A reasonable estimate of the debt equivalent to be imputed into the financial capital structure for the test year associated with non-purchased power operating leases is $509,000.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Issue 21f: What is the debt equivalent of WPSC's off-balance sheet obligations relating to purchased power agreements imputed on a contract capacity basis? (Uncontested)		
Issue Scope: Commission staff calculated imputed debt associated with purchased power agreements of $69,140.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: Uncontested		Ex.-WPSC-Gast-2c, Sch. 1
Commission Staff: Include $69,140 of imputed debt in financial capital structure.		Direct-PSC-Hubert-5-9 Ex.-PSC-Hubert-1, Sch. 1 Ex.-PSC-Hubert-2C
COMMISSION ALTERNATIVES		
Uncontested Alternative: A reasonable estimate of the debt equivalent to be imputed into the financial capital structure for the test year associated with purchased power agreements imputed on a contract capacity basis is $69,140.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits. CAS:cmk:DL: 00884432

Issue 21g: What is the debt equivalent of WPSC's off-balance sheet obligations relating to the Manitoba Hydro purchased power agreements imputed on a contract capacity basis? (Uncontested)		
Issue Scope: Commission staff calculated, on a contract capacity basis, $10,349,163 of imputed debt associated with the Manitoba Hydro purchased power agreements.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: Uncontested**.**		Ex.-WPSC-Gast-2c, Sch. 1
Commission Staff: Include $10,349,163 of imputed debt in financial capital structure.		Direct-PSC-Hubert-5-10 Ex.-PSC-Hubert-1, Sch. 1 Ex.-PSC-Hubert-2C
COMMISSION ALTERNATIVES		
Uncontested Alternative: A reasonable estimate of the debt equivalent to be imputed into the financial capital structure for the test year associated with the Manitoba Hydro purchased power agreements imputed on a contract capacity basis is $10,349,163.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Issue 21h: What is the debt equivalent of WPSC's off-balance sheet obligations relating to the Manitoba Hydro purchased power agreement on a proxy capacity basis? (Uncontested)		
Issue Scope: Commission staff calculated, on a proxy capacity basis, $1,401,796 of imputed debt associated with the Manitoba Hydro purchased power agreements.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: Uncontested**.**		Ex.-WPSC-Gast-2c, Sch. 1
Commission Staff: Include $1,401,796 of imputed debt in financial capital structure.		Direct-PSC-Hubert-5-11 Ex.-PSC-Hubert-1, Sch. 1 Ex.-PSC-Hubert-2C
COMMISSION ALTERNATIVES		
Uncontested Alternative: A reasonable estimate of the debt equivalent to be imputed into the financial capital structure for the test year associated with the Manitoba Hydro purchased power agreements imputed on a proxy capacity basis is $1,401,796.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits. CAS:cmk:DL: 00884432

Issue 21i: What is the debt equivalent of WPSC's off-balance sheet obligations relating to wind-related and parallel generation purchased power agreements for the test year? (Uncontested)		
Issue Scope: Commission staff did not include any imputed debt related to wind-related and parallel generation purchased power agreements (PPA).		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: Uncontested		Ex.-WPSC-Gast-2c, Sch. 1
Commission Staff: The exclusion was based on previous Commission determinations in docket 6690-UR-120.		Direct-PSC-Hubert-5-7, 11-12 Ex.-PSC-Hubert-1, Sch. 1 Ex.-PSC-Hubert-2C
COMMISSION ALTERNATIVES		
Uncontested Alternative: No debt equivalent for off-balance sheet obligation for wind-related and parallel generation PPAs is imputed into the financial capital structure for the test year.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Issue 21j: What is the debt equivalent of WPSC's off-balance sheet obligations for its wind-related land leases for the test year?		
Issue Scope: Commission staff included $212,817 (rounded to $213,000) of imputed debt associated with wind-related land leases.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: Uncontested		Ex.-WPSC-Gast-2c, Sch. 1
Commission Staff: The exclusion was based on previous Commission determinations.		Direct-PSC-Hubert-5-7, 11-13 Ex.-PSC-Hubert-1, Sch. 1 Ex.-PSC-Hubert-2C
COMMISSION ALTERNATIVES		
Uncontested Alternative: A reasonable estimate of the debt equivalent to be imputed into the financial capital structure for WPSC's test-year wind-related land leases is $213,000.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Issue 21k: What is the debt equivalent relating to the debt of WPSC's subsidiary? (Uncontested)		
Issue Scope: Both WPSC and Commission staff included imputed debt of $5,888,000 related to long-term debt of WPSC's subsidiary WPS Leasing.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: Uncontested		Ex.-WPSC-Gast-1, Sch. 6
Commission Staff: WPSC's calculation of $5,888,000 is reasonable.		Direct-PSC-Hubert-5-7, 13 Ex.-PSC-Hubert-1, Sch. 1
COMMISSION ALTERNATIVES		
Uncontested Alternative: A reasonable estimate subsidiary debt to impute into the financial capital structure for the associated test year is $5,888,000.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits. CAS:cmk:DL: 00884432

Issue 21l: Should WPSC file detailed off-balance sheet obligation data in its next rate application? (Uncontested)		
Issue Scope: Ex.-WPSC-Gast-2c contained information relating to WPSC's off-balance sheet obligations and the calculation of the debt imputed into the company's financial capital structure. The requirement to file such information has been included in rate case orders. No party provided any testimony on Commission staff's proposal.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: Uncontested		
Commission Staff: The Commission should continue to require WPSC to file off-balance sheet obligation data in its next rate application.		Direct-PSC-Hubert-14
COMMISSION ALTERNATIVES		
Uncontested.Alternative: It is reasonable that WPSC submit, in its next case application, detailed information regarding all off-balance sheet obligations for which the financial markets will calculate a debt equivalent. The information shall include, at minimum: 1) the minimum annual lease and purchased power agreement obligations; 2) the method of calculation along with the calculated amount of the debt equivalent; and 3) supporting documentation, including all reports, correspondence and any other justification that clearly established S&P's and other major credit rating agencies' determination of the off-balance sheet debt equivalent, to the extent available, and publicly available documentation when S&P and other major credit rating agencies documentation is not available.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Issue 21m: What is the appropriate treatment of a proposed issuance of preferred stock in the test year? (Uncontested)		
Issue Scope: WPSC's filing reflects the company's current outstanding preferred stock levels and embedded cost. (Sch. 1, Ex.-WPSC-Gast-1.) WPSC's witness Lisa Gast, testified that WPSC expected to issue $30 million of preferred stock in 2013, the proceeds of which would be used to simultaneously call and retire $30 million of existing preferred stock. The refinancing would be held on the revenue neutral method basis and therefore have no impact on the test year preferred stock. (Direct-WPSC-Gast-3-4.) The issuance was authorized by the Commission in its Certificate of Authority and Order in docket 6690-SB-134. Preferred stock issuances and refinancing are not done on a regular basis, and Commission staff's test year attempted to reflect the refinancing. Upon continued review of the proposed adjustments made to WPSC's filed case based on WPSC's proposed adjustments to reflect the proposed refinancing, Commission staff recognized that the adjustments should not be included in the test year and should be reversed back to WPSC's original filing. (Direct-PSC-Hubert-32.) No party provided any testimony on Commission staff's proposal.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: Uncontested		
Commission Staff: The appropriate treatment of the proposed refinancing of existing preferred stock in the test year should be a reflection of existing preferred stock in the capital structure, with the refinancing, if it occurs given revenue-neutral treatment outside the rate case.		Direct-PSC-Hubert-19, 27-32 Ex.-PSC-Hubert-1
COMMISSION ALTERNATIVES		
Uncontested Alternative: It is reasonable that the test-year capital structures reflect current accounting treatment of existing preferred stock capitalization and related accounts. Treatment of any refinancing, if undertaken, should be consistent with paragraph 7 of the October 16, 2012, Certificate of Authority and Order in docket 6690-SB-134.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Issue 21n: What is a reasonable financial capital structure in this docket? (Uncontested)		
Issue Scope: Commission staff's financial capital structure, shown on the bottom of Schedule 1 of Ex.-PSC-Hubert-1, is the starting point for the final test-year capitalization and is subject to impacts from the Commission's other determinations. An order point related to the final capital structure will be included in the Commission's order.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: Uncontested		
Commission Staff: Update Commission staff's capital structure for Commission decisions.		Direct-PSC-Hubert-4-5 Ex.-PSC-Hubert-1
COMMISSION ALTERNATIVES		
Uncontested Alternative: For purposes of this proceeding, the financial capital structure consisting of Commission staff's audited financial capital structure for WPSC, as adjusted for the impacts of decisions in this proceeding, including the equity target and preferred stock, is reasonable.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

<table>
<tr><th colspan="3">Issue 21o: What is a reasonable capital structure for ratemaking in this docket?</th></tr>
<tr><td colspan="3">Issue Scope: Commission staff’s regulatory capital structure, shown at the top of Schedule 1 of Ex.-PSC-Hubert-1, is the starting point for the final test-year capitalization and is subject to impacts from the Commission’s other determinations. An order point related to the final capital structure will be included in the Commission’s order.</td></tr>
<tr><td>PARTY POSITIONS</td><td>AMOUNT*</td><td>TRANSCRIPT REFERENCES</td></tr>
<tr><td>WPSC: Uncontested</td><td rowspan="2"></td><td></td></tr>
<tr><td>Commission Staff: Update Commission staff’s capital structure for Commission decisions.</td><td>Direct-PSC-Hubert-4-5
Ex.-PSC-Hubert-1</td></tr>
<tr><td colspan="3">COMMISSION ALTERNATIVES</td></tr>
<tr><td colspan="3">Uncontested Alternative: For purposes of this proceeding, the regulatory capital structure consisting of Commission staff’s audited regulatory capital structure for WPSC, as adjusted for the impacts of decisions in this proceeding, is reasonable.</td></tr>
<tr><td colspan="3">Notes:</td></tr>
</table>

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Issue 21p: What is the appropriate wording for WPSC's dividend restriction? (Uncontested)		
Issue Scope: WPSC's dividend restriction have been included in rate case orders.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: Uncontested		
Commission Staff: The Commission should reiterate and update, as appropriate, the dividend restriction to reflect the test-year equity ratio.		Direct-PSC-Hubert-15
COMMISSION ALTERNATIVES		
Uncontested Alternative: WPSC shall not pay, without Commission approval, normal dividends greater than 103 percent of the prior year's common dividend. WPSC shall notify the Commission if any special dividend is contemplated. No special dividend that might cause the common equity, on a financial basis, to drop below the projected calendar year average of 51.0 percent** or the dollar amount of equity reflected in the test year is permitted without Commission approval. ****This percent will vary based on the impacts of the Commission decisions in this case.**		
Notes:		

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Issue 21q: Should WPSC file a ten-year financial forecast in its next rate application? (Uncontested)		
Issue Scope: Ex.-WPSC-Gast-2c contained information relating to WPSC's ten-year financial forecast. Requirements to file such information have been included in rate case orders.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: Uncontested		Ex.-WPSC-Gast-2c, Sch. 2
Commission Staff: The Commission should continue to require WPSC to file a ten-year financial forecast in its next rate application.		Direct-PSC-Hubert-15
COMMISSION ALTERNATIVES		
Uncontested Alternative: Require WPSC to submit a ten-year financial forecast in its next rate case application.		
Notes:		

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Issue 22: What is an appropriate cost of capital?
Issue 22a: What is a reasonable return on equity for the test year?

Issue Scope: Calculations supporting the appropriate return on equity were provided by Paul Moul for the applicant, Stephen Hill for CUB, and Lois Hubert for Commission staff. The models used and their results are shown in the table below.

	Commission Staff	WPSC		CUB
		Filed	Updated	
ROE Requested				
		10.75%	10.60%	8.75% with decoupling, 9.00% without, 9.50% if gradualism used
ROE Range				
	10.0% - 10.2% Used 10.20%			8.50% - 9.50%
DCF Model				
Constant growth	8.88%	10.44% w/lev. adj 9.69% w/o	9.64% w/lev. adj. 9.05% w/o	8.66%
Two-stage	6.89% – 7.27%[1]			
Market-to-Book Ratio Analysis				8.60% - 8.70%

The respective growth rates used in the DCF models were 4.83 percent for Commission staff (Ex.-PSC-Hubert-1, Sch. 7), 5.50 percent (Ex.-WPSC-Moul-2, Sch. 1) and 5.25 percent (Ex.-WPSC-Moul-3, Sch. 1) for WPSC, and 4.87 percent (Ex.-CUB-Hill-2, Sch. 3) for CUB.

The respective dividend yields used in the DCF models were 3.86 percent for Commission staff (Ex.-PSC-Hubert-1, Sch. 7), 4.19 percent (Ex.-WPSC-Moul-2, Sch. 1) and 3.80 percent (Ex.-WPSC-Moul-3, Sch. 1) for WPSC, and 3.79 percent (Ex.-CUB-Hill-2, Sch. 4) for CUB.

The terminal growth rate used in the two stage DCF model was 2.5 percent for Commission staff (Ex.-PSC-Hubert-1, Sch. 7).

MTB Analysis used growth rate of 4.87 percent and forecasted dividend yields of 3.73 percent for 2013 and 3.83 percent for 2016-2018. [1]Sensitivity analysis showed that at 5.5 percent terminal growth rate, the range would be 9.36 percent to 9.45 percent.				
Risk Premium				
To Average Past PSCW Decisions	8.3%-9.2%			
Utility bonds to common stock returns[1]		12.00%	12.50%	
[1]Divided Ibbotson Associates return data for the period 1926 through 2011 (2012 in update), into two periods one with highest US Treasury Bond yields and the other with lowest yields. Used average premium for the lowest yield period group that included premiums for years 1926-1965, 2008, and 2010 - 2012. (Ex.-WPSC-Moul-2, Sch. 10.) (Ex.-WPSC-Moul-3, Sch. 6.)				
CAPM				
Historical and Forecast Average[1]		10.72% w/lev. adj. 9.85% w/o	10.58% w/lev. adj.	
Ibbotson Historic[2]				7.42%
[1]The average risk premium used in the CAPM model was 8.70 percent based on 8.57 percent historical and 8.82 percent forecasted (Ex.-WPSC-Moul-2, Sch. 11) and 7.82 percent based on 8.69 percent historical and 6.94 percent forecasted (Ex.-WPSC-Moul-3, Sch. 7). Risk free rates were 3.50 percent and 4.25 percent. Used a leveraged beta of 0.83 in lieu of the ValueLine beta of 0.73 (Direct-PSCW-Moul-30-31). Historic premium based on same period used for Risk Premium model. [2]The average risk premium used in the CAPM model was 6.00 percent based on historical Ibbotson Associate return data for the period 1926-2009 (Direct-CUB-Hill-30). Used ValueLine beta of 0.67 and risk free rate of 3.40 percent (Ex.-CUB-Hill-2, Sch. 6).				
Comparable Earnings				
Total Market		11.25%	11.90%	

Based on average of historical and forecasted earnings-book value ratios. (Ex.-WPSC-Moul-2, Sch. 12.) (Ex.-WPSC-Moul-3, Sch. 8.)				
Modified Earnings-Price Ratio Analysis				
Utility Group				8.18% - 8.41%
Based on 2014 earnings-market price ratio of 6.63 percent and 2013 and 2016-18 earnings-book value ratios of 9.73 percent and 10.20 percent, respectively. (Ex.-CUB-Hill-2, Sch. 8)				

WPSC's financial witness Mr. Moul provided four models: DCF, risk premium, CAPM, and comparable earnings models. CUB's financial witness Mr. Hill provided four models: DCF, CAPM, a Market-to-Book Ratio Analysis (this argued to be a DCF variant and treated as such in this analysis), and a Modified Earnings-Price Ratio Analysis. Ms. Hubert of Commission staff provided one model: the DCF model. The results of the models are shown in the table above.

Discounted Cash Flow Model. All three witnesses presented DCF models. Their results depend largely on four variables: dividend yields, growth rate; one-stage or multi-stage models; and correction for the application of market-based cost of equity to a book value capital structure otherwise known as the "leverage" adjustment. Mr. Moul argued in opposition to the use of the multi-phase DCF model, stating that investors do not require forecasts beyond five years to price stock. (Rebuttal-WPSC-Moul-6-7.) Mr. Moul also questioned the Market-to-Book Ratio Analysis of Mr. Hill on the basis that it was just another DCF variant. (Rebuttal-WPSC-Moul-25.) Mr. Hill and Ms. Hubert argued in opposition to the leverage adjustment, stating that it is not supported by financial literature (Direct-CUB-Hill-48), is not standard regulatory practice (Direct-CUB-Hill-51), has not been applied recently by the one utility commission that accepted it (Direct-CUB-Hill-49); similar adjustments have been rejected by other utility commissions and this Commission (Direct-PSC-Hubert-40-43), and is inconsistent with the intent of *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591 (1944) (Direct-PSC-Hubert-44-45, Surrebuttal-PSC-Hubert-9).

Risk Premium Model. Mr. Moul performed risk premium models. Mr. Moul chose to calculate the premium based on data from Ibbotson Associates. Dividing the data into two periods, one with the highest U.S. Treasury yields and one with the lowest, he used the average premium for the low yield period. This was based on his assessment that equity risk premium increases as interest rates decline and declines as interest rates increase. (Direct-WPSC-Moul-28, Ex.-WPSC-Moul-2, Sch.10.) Ms. Hubert provided reasonable alternative risk premiums with substantially lower results based on Mr. Moul's method of calculating the risk premium. She also noted that care must be given to the period selected. (Direct-PSCW-Hubert-46-47.) Mr. Hill questioned whether the years included in WPSC's risk premium were reflective of today and argued that picking and choosing years from the historic database does not provide a balanced picture of the economic history of the U.S. (Direct-CUB-Hill-66.)

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Mr. Hill did not perform a risk premium model. Ms. Hubert also did not; however, she performed an interest rate premium model, which simply shows the 30-year U.S. Treasury Bond yields, 10-year U.S. Treasury Bond yields, and A-rated utility bond yields at the time of the Commission's determinations of WPSC's rate cases. Among her caveats, she testifies: "First and most importantly, the estimated returns are based on premiums over debt securities relative to past Commission authorized returns. These premiums are not necessarily reflections of market required premiums, only reflections of the premiums based on past Commission decisions." (Direct-PSC-Hubert-24.)

Capital Asset Pricing Model. Messrs. Moul and Hill both provided CAPM results. Mr. Moul used an average forecasted premium and historic premium (based on the same period used in the risk premium model) (Ex.-WPSC-Moul-2, Sch. 11), while Mr. Hill used a historic premium approximating the historic premium for the entire Ibbotson Associate data base period. (Ex.-CUB-Hill-2, Sch. 6.) Both Mr. Hill and Ms. Hubert opposed the inclusion of an adjustment between book capitalization and market capitalization in WPSC's model, arguing that the leverage adjustment is not necessary or theoretically sound. (Direct-CUB-Hill-57, Direct-PSC-Hubert-47.)

Ms. Hubert did not perform a CAPM analysis noting that there are significant disagreements over variables to be used and this Commission's standard model no longer includes a CAPM calculation. (Direct-PSC-Hubert-48.)

Comparable Earnings. Mr. Moul also provided a comparable earnings model. (Direct-WPSC-Moul-34-36.) Mr. Moul testifies that he only used the model to confirm the results of the market based models. (Direct-WPSC-Moul-6.) The comparable earnings model is based on non-utilities. (Ex.-WPSC-Moul-2, Sch.12.) Mr. Hill argued in opposition to the model for several reasons: 1) it is based on accounting returns and not a reflection of investors required market returns; 2) market-based equity costs estimation (e.g., DCF and CAPM) models have supplanted the model; 3) it actively ignores market signals such as shift in interest rate levels; and 4) the sample group of firms are unlikely to be similar in overall investment risk to WPSC. (Direct-CUB-Hill-67-68.) Ms. Hubert expressed similar concerns. (Direct-PSC-Hubert-49-51.)

Modified Earnings-Price Ratio Analysis. Mr. Hill provided a Modified Earnings-Price Ratio (MEPR) Analysis. Neither Mr. Moul nor Ms. Hubert provided similar models. The MEPR is a new model to this Commission. It is based on the argument that the earnings/price ratio and the earnings/book value ratio (i.e., return on equity or ROE as used in comparable earnings calculation) will be equal to each other and to the required return when the market-to-book ratio is one. As the market-to-book ratio diverts from unity, both earnings ratios will divert from the required return, but move in opposite direction, (i.e., one will become greater than the

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required return while the other becomes less than the required return.) The average provides an approximation of the required return. (Direct-CUB-Hill-31-35.) Mr. Moul questioned the reasonableness of the average as a proxy for required return. (Rebuttal-WPSC-Moul-25-26.) Ms. Hubert found the earning/price ratio and earnings/book value ratio form limits to the two positions argued in this case. (Hubert, Tr. 158.)

Adjustments to Authorized Return. Adjustments to equity were proposed by Mr. Hill and Ms. Hennings, witness for WIEG. Mr. Hill proposed a 25 basis point reduction if the Commission approves WPSC's decoupling proposal. Mr. Hill argued that because decoupling a utility's base revenues from sales has the effect of reducing the utility's exposure to revenue stream volatility caused by any operating condition that would normally cause revenue fluctuations, it lowers the risk of the utility and consequently lowers the risk for investors. (Direct-CUB-Hill-38.) He argued that other regulatory commissions, which have allowed ROE reductions, have reduced allowed return on equity within a range of 10 to 50 basis points. (Direct-CUB-Hill-42.) Mr. Moul argued that there was no objective way to measure the risk implications of decoupling. (Rebuttal-WPSC-Moul-31.) Ms. Hubert did not attempt to calculate the level of exposure mitigated by WPSC's proposal, but agreed with the theory that decoupling could decrease the company's systematic risk and consequently its required return. (Direct-PSC-Hubert-32.)

In response to WPSC's proposal for one-for-one collection of fuel costs, Ms. Hennings argued that such collection would decrease the risk for the utility. Thus if WPSC's bandwidth is reduced, its rate of return on equity should be reduced as well. (Direct-WIEG-Hennings-7-8.) Mr. Moul argues that Ms. Hennings does not provide evidence to support her proposal and questions the similarity between the utility and regulatory agency in Nova Scotia and the Wisconsin Commission. (Rebuttal-WPSC-Moul-32.)

PARTY POSITIONS	AMOUNT*	TRANSCRIPT REFERENCES
WPSC: WPSC proposes an updated 10.60% ROE. WPSC's ROE should be increased from its current 10.30% because equity premiums are currently high and interest rates are rising. These trends reflect an improved economy, rising stock prices and an increase in the company's overall cost of capital in the 2014 test year. CUB's proposed ROE of 8.75% would impose financial harm to the company and raise its debt costs.	10 basis points is $1.5 million for electric and $300,000 for gas	Rebuttal-WPSC-Moul-4-6, 8-11, 18

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CUB: Ratepayers need to stop paying unnecessary costs for inflated ROEs during difficult economic times and in an environment of significantly increasing retail rates. A reasonable rate of return for WPSC is 9.0 percent without decoupling and 8.75 percent with decoupling. Those rates: (1) most reasonably reflect the current cost of capital, (2) account for expected increasing interest rates, and (3) are in line with the Company's expected return on its own investments.		CUB IB, pp. 4-14, 21; Direct-CUB-Hill-7-9, 37-38; Surrebuttal-CUB-Hill-2-3; Surrebuttal-PSC-Hubert-7
Commission Staff: Commission staff used a rate of return of 10.20 percent in its test year. This is lower than the current authorized rate of 10.30 percent. The 10.20 percent was used on the basis of gradualism as market models would support even lower returns. The Commission needs to balance the interest of ratepayers with shareholders and ratepayers are seeing large increases in their rates while market values are higher than that contributed to the utilities by their stockholders.		Direct-PSC-Spanjar-26-27, Direct–PSC-Hubert-16-27, 32-51 Surrebuttal-PSC-Hubert-1-11 Tr. 157-160 Ex.-PSC-Hubert-1 Ex.-PSC-Hubert-3 Ex.-PSC-Hubert-4 (Delayed)
COMMISSION ALTERNATIVES		
Alternative One: A reasonable rate of return on WPSC's common equity is 10.60 percent.		
Alternative Two: A reasonable rate of return on WPSC's common equity is (9.0 percent, without decoupling/8.75 percent with decoupling).		
Alternative Three: A reasonable rate of return on WPSC's common equity is _____ percent.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits. CAS:cmk:DL: 00884432

<table>
<tr><th colspan="3">Issue 22b: What is a reasonable interest rate for WPSC's short-term borrowing through commercial paper? (Uncontested/Decision Required)</th></tr>
<tr><td colspan="3">Issue Scope: WPSC's filing was based on 0.63 percent. (Direct-WPSC-Gast-4.) Commission staff's test year used 0.45 percent. (Direct-PSC-Hubert-18.) Both WPSC and Commission staff will file delayed exhibits with updated numbers.</td></tr>
<tr><td>PARTY POSITIONS</td><td>AMOUNT*</td><td>TRANSCRIPT REFERENCES</td></tr>
<tr><td>WPSC: Uncontested, subject to updated exhibits.</td><td rowspan="2">10 basis points is Nominal (less than $90,000 combined)</td><td></td></tr>
<tr><td>Commission Staff: Updated market information will be provided through delayed exhibits filed approximately six days before the Commission discussion of record.</td><td>Direct-PSC-Hubert-16-18
Ex.-PSC-Hubert-1, Sch. 6, p. 1
Ex.-PSC-Hubert-4 (Delayed), Sch. 6, p. 1</td></tr>
<tr><td colspan="3">COMMISSION ALTERNATIVES</td></tr>
<tr><td colspan="3">Uncontested Alternative: A reasonable rate for WPSC's short-term borrowing through commercial paper is a percentage based on Ex.-WPSC-Gast-3 (Delayed) and Ex.-PSC-Hubert-4 (Delayed).</td></tr>
<tr><td colspan="3">Notes:</td></tr>
</table>

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

<table>
<tr><th colspan="3">Issue 22c: What is a reasonable interest rate for WPSC's forecasted $450,000,000 long-term debt issuance? (Uncontested/Decision Required)</th></tr>
<tr><td colspan="3">Issue Scope: WPSC's filing included a forecasted $450,000,000 long-term debt issuance at an estimated cost of 4.45 percent. (Direct-WPSC-Gast-4.) Commission staff's test year used 4.35 percent. (Direct-PSC-Hubert-19.) Both WPSC and Commission staff will file delayed exhibits with updated numbers.</td></tr>
<tr><td>PARTY POSITIONS</td><td>AMOUNT*</td><td>TRANSCRIPT REFERENCES</td></tr>
<tr><td>WPSC: Uncontested, subject to updated exhibits.</td><td rowspan="2">10 basis points is $732,000 for electric and $114,000 for gas</td><td></td></tr>
<tr><td>Commission Staff: Updated market information will be provided through delayed exhibits filed approximately six days before the Commission discussion of record.</td><td>Direct-PSC-Hubert-16-19
Ex.-PSC-Hubert-1, Sch. 6, p. 2
Ex.-PSC-Hubert-4 (Delayed), Sch. 6, p. 2</td></tr>
<tr><td colspan="3">COMMISSION ALTERNATIVES</td></tr>
<tr><td colspan="3">Uncontested Alternative: A reasonable rate for WPSC's short-term borrowing through commercial paper is a percentage based on Ex.-WPSC-Gast-3 (Delayed) and Ex.-PSC-Hubert-4 (Delayed).</td></tr>
<tr><td colspan="3">Notes:</td></tr>
</table>

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Issue 22d: What is a reasonable embedded cost for WPSC's long-term debt? (Uncontested)		
Issue Scope: Commission staff's test-year composite cost of embedded cost of long-term debt of 4.79 percent is the starting point for the final test-year embedded cost of long-term debt and is subject to impact from the Commission's determination in 2c. An order point related to the final embedded cost of long-term debt will be included in the Commission's order.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: Uncontested, subject to updated exhibits.		
Commission Staff: Embedded cost of long-term debt includes forecast of new issuance which is subject to determination in Issue 22c.		Direct-PSC-Hubert-18 Ex.-PSC-Hubert-1, Sch. 11
COMMISSION ALTERNATIVES		
Uncontested Alternative: A reasonable embedded cost of long-term debt is 4.79 percent adjusted to reflect updated issuance of long-term debt costs, and other decisions in this proceeding.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Issue 22e: What is a reasonable return on WPSC's preferred stock? (Uncontested)		
Issue Scope: WPSC's filing included a $51,188,200 of preferred stock with an actual embedded cost of 6.08 percent. Commission staff's test year used 4.35 percent. Both WPSC and Commission staff will file delayed exhibits with updated numbers. No party provided any testimony on Commission staff's proposal.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: Uncontested.		Ex.-WPSC-Gast-1, Sch. 1
Commission Staff: Commission staff adjustments should be reversed in their entirety and an embedded cost of preferred stock of 6.08 percent should be used.		Direct-PSC-Hubert-18, 27-32 Ex.-PSC-Hubert-1, Sch. 11
COMMISSION ALTERNATIVES		
Uncontested Alternative: A reasonable average cost for WPSC's preferred stock is 6.08 percent.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Issue 23: Electric Cost of Service – Which electric cost-of-service study (COSS) should the Commission consider when allocating revenue responsibility?

Issue Scope: WPSC (Hoffman Malueg), CUB (Wallach), WIEG (Stephens), and Commission staff (Singletary) provided testimony regarding electric COSS methodology. The results of the COSS studies prepared by the parties and Commission staff are shown below.

	WIEG	**WPSC**	**Staff-Capacity**	**Staff TOU**	**Staff-Locational & CUB**
RG-1	3.59%	2.78%	2.09%	1.07%	-0.01%
RG-2	9.87%	10.30%	9.28%	8.63%	-3.80%
RG-3 OTOU	-6.55%	-2.60%	-2.63%	-3.19%	-1.85%
RG-4 OTOU	-1.23%	5.34%	4.48%	4.22%	-0.48%
RG-5 OTOU	17.33%	15.24%	14.22%	13.53%	13.15%
RG-6 OTOU	23.10%	26.50%	25.67%	25.40%	8.81%
Residential	**5.47%**	**5.36%**	**4.57%**	**3.70%**	**-1.19%**
CG-1	-15.28%	-18.39%	-19.41%	-19.54%	-16.45%
CG-2	-12.15%	-13.77%	-14.53%	-14.61%	-14.14%
CG-3 OTOU	7.90%	12.76%	11.69%	11.60%	10.59%
CG-4 OTOU	5.79%	3.61%	2.77%	2.74%	2.12%
Sm. Commercial	**-12.57%**	**-14.84%**	**-15.79%**	**-15.90%**	**-13.87%**
CG-5	-16.38%	-19.28%	-20.44%	-20.69%	-14.99%
CG-20	3.60%	2.54%	1.81%	1.73%	6.14%
Med. Commercial & Industrial	**0.59%**	**-0.75%**	**-1.55%**	**-1.65%**	**2.95%**
CP-1 Large Industrial	**3.81%**	**6.04%**	**8.77%**	**10.35%**	**12.36%**
Lighting	**-37.93%**	**-28.07%**	**-28.61%**	**-28.65%**	**-31.90%**
Total	**0.96%**	**0.96%**	**0.96%**	**0.96%**	**0.96%**

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

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PARTY POSITIONS	AMOUNT*	TRANSCRIPT REFERENCES
WPSC: WPSC's electric COSS results should be given the greatest weight as these studies most accurately associate costs with customers based on cost causation		Rebuttal-WPSC-Hoffman Malueg-4-5
CUB: The Locational COSS classifies and allocates production and distribution plant costs in a fashion that most reasonably reflects each class's responsibility for such costs.		CUB IB, pp. 22-23; Rebuttal-CUB-Wallach-3-5
WIEG: COSS that allocate production plant (excluding interruptible load) as 100% demand and distribution costs using the minimum-size method, as the WIEG and WPSC COSS do, best reflect how customers cause WPSC to incur costs. WIEG's and WPSC's COSS positions were identical with only a single exception—WIEG maintains the 4CP allocator is appropriate for production demand. The WPSC COSS results should reflect a movement of about $1.7 million between customer classes (*see* Issue 24 below).		Direct-WIEG-Stephens-21-31; Rebuttal-WIEG-Stephens-all; Surrebuttal-WIEG-Stephens-all; Rebuttal-WPSC-Hoffman-Malueg-14. WIEG Opening Brief, at 4-14.
Commission Staff: It is reasonable to consider the results of more than one COSS when allocating revenue responsibility. Commission staff's TOU and Locational COSS results should be given the greatest weight as those COSS model approaches most accurately mirror the actual function of WPSC's system.		Direct-PSC-Singletary-2 to 16, Rebuttal-PSC-Singletary-1 to 15, Surrebuttal-PSC-Singletary 1 to 12, Ex.-PSC-Singletary-3
COMMISSION ALTERNATIVES		
Alternative One: Adopt WIEG's COSS as most reasonable methodology.		
Alternative Two: Adopt as most reasonable those COSS that allocate production plant (excluding interruptible load) as 100% demand, distribution costs using the minimum-size method, and that distinguishes between single-phase and three-phase distribution assets.		
Alternative Three: Adopt Commission staff's Locational COSS as most reasonable for the purposes of allocating revenue responsibility in this proceeding.		
Alternative Four: Adopt Commission staff's TOU and Locational COSS as most reasonable for the purposes of allocating revenue responsibility in this proceeding.		
Alternative Five: Consider the results of multiple COSS approaches for the purposes of allocating revenue responsibility in this proceeding.		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Notes:

Issue 24: Electric Cost of Service – What action should the Commission take regarding the methods used to allocate the applicant's primary voltage distribution system?
Issue Scope: WPSC (Hoffman Malueg), CUB (Wallach), WIEG (Stephens), and Commission staff (Singletary) provided testimony regarding the methods used to allocate of WPSC's primary voltage electrical distribution system. In docket 6690-UR-120, WIEG first proposed distinguishing between single-phase and three-phase distribution assets. The Commission ordered Commission staff to work with WPSC, intervenors in that proceeding, and other major Wisconsin investor-owned utilities to collect information on the costs associated with single-phase and three-phase primary distribution circuits. Based on those discussions led by former Commission staff, WPSC modified its primary distribution allocation method. WPSC used the revised method when it filed its case in docket 6690-UR-121. However, that proceeding settled before Commission staff and Intervenors filed any witness testimony. WPSC carried the revised method over to the COSS it prepared in this proceeding. This proceeding is the first opportunity Commission staff and Intervenors have had to address the modification. As was its position in 6690-UR-120, WIEG introduces a method for allocating three-phase primary distribution costs, and suggests that WPSC be ordered to use WIEG's allocation method. The COSS submitted by WIEG includes WIEG's preferred method. Commission staff suggested that if the Commission feels that the allocation of primary distribution system costs requires further study, that WPSC should be directed to perform additional study into the costs associated with the applicant's entire primary voltage distribution system, with the results presented prior the filing of the utility's next base rate case. WPSC agreed with WIEG that Mr. Stephens' proposed allocation would provide a more accurate COSS and it supported his proposed allocator. It further indicated that it will continue to examine this issue, and will conduct a more thorough examination on specific distribution accounts before WPSC's next general rate case filing, and will examine its allocation methods based on the results of that examination. WPSC does not believe that it is necessary for the Commission to direct WPSC as proposed by Commission staff.

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PARTY POSITIONS	AMOUNT*	TRANSCRIPT REFERENCES
WPSC: The Commission should reject any proposal to address this issue more aggressively, as unnecessary. WPSC committed to present additional information with its next rate filing and there is inadequate time to perform the study Commission staff outlines by April 1st of next year. As this refinement is relevant to all electric utilities, if the Commission wishes to establish a definitive method it should open a generic proceeding instead of a utility-by-utility examination.		Surrebuttal-WPSC-Hoffman Malueg-2-3
CUB: The Commission should take no action on WIEG's proposal to re-allocate costs associated with single-phase and three-phase distribution circuits. WIEG's proposal amounts to "cherry-picking" in that it would allow primary voltage customers to pay for single-phase costs in proportion to their minimal reliance on the single-phase system, but would not require them to pay for three-phase costs in proportion to their relatively heavy use of the three-phase system.		Rebuttal-CUB-Wallach-9-11
WIEG: Mr. Stephens' proposed allocation method to distinguish between single-phase/three-phase distribution assets will bring greater accuracy to the COSS filed in this proceeding. Mr. Stephens' proposal to allocate 50% of these costs between primary and secondary customers, and the remaining 50% to secondary customers only, is reasonable and conservative. The modification—in each COSS in this proceeding—results in a movement of $1.7 million between customer classes.		Direct-WIEG-Stephens-21-31 Surrebuttal-WIEG-Stephens-8-10 Rebuttal-WPSC-Malueg-Hoffman-14-16. WIEG Opening Brief, at 7-12.
Commission Staff: WPSC has incorporated adjustments to its COSS methods to account for single- and three-phase primary distribution costs, per discussions ordered by the Commission in docket 6690-UR-122. If the Commission feels the allocation of primary distribution system costs requires further study, that WPSC should be directed to perform additional study into the costs associated with the applicant's entire primary voltage distribution system, with the results presented prior the filing of the utility's next base rate case.		Rebuttal-PSC-Singletary-10 to 14

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COMMISSION ALTERNATIVES
Alternative One: Allocate distribution costs consistent with the method used in WPSC's COSS filed in this proceeding.
Alternative Two: Allocate distribution costs consistent with the method used in WPSC's COSS filed in this proceeding and open a generic proceeding in order to establish a single method for distribution cost allocation to be used by all utilities.
Alternative Three: Allocate distribution costs consistent with the method used in WPSC's COSS filed in this proceeding and direct WPSC to perform additional study into the costs associated with the applicant's entire primary voltage distribution system, with the results presented prior the filing of the utility's next base rate case.
Alternative Four: Allocate distribution costs consistent with Mr. Stephens' approach in this proceeding.
Alternative Five: Allocate distribution costs consistent with Mr. Stephens' approach in this proceeding and direct WPSC to incorporate WIEG's primary distribution cost allocation method in the company's COSS filed in next rate base proceeding.
Notes:

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Issue 25: What is the appropriate electric revenue allocation?

Issue Scope: Revenue allocation is a determination of how much of the increase should be collected from each of the rate classes. The following table lists the revenue allocation proposals filed by the parties and the Commission staff for the major customer groups based on the Commission staff's proposed revenue increase.

		WPSC Proposal		CUB Alternative		Commission Staff Alternative	
	Present Revenue	Proposed Revenue	% Change	Proposed Revenue	% Change	Proposed Revenue	% Change
Small Customers (under 50 kW, OTOU, & Lighting)	$498,939,614	$501,200,823	0.45%	$498,924,258	0.00%	$503,421,951	0.90%
Medium Comm. Customers (Cg-5 & Cg-20 classes)	$243,376,064	$243,688,743	0.13%	$247,510,796	1.70%	$243,766,407	0.16%
Lg. Com./Ind. Customers (Cp class -- over 1,000 kW)	$223,575,465	$230,277,982	3.00%	$228,748,349	2.31%	$227,982,787	1.97%
Totals	$965,891,144	$975,167,548	0.96%	$975,183,403	0.96%	$975,171,145	0.96%

PARTY POSITIONS	AMOUNT*	TRANSCRIPT REFERENCES
WPSC: Alternative One.		
CUB: The decoupling stipulation with WPSC from Docket No. 6690-UR-119 precludes CUB from opposing the Company's proposal to increase customer charges to pre-stipulation levels in the event that the RSM is not extended beyond its pilot phase. For the reasons explained by Mr. Wallach, the Commission should adopt the customer charges he proposes that are reproduced above.		CUB Initial Brief, at pp. 25-26; Direct-CUB-Wallach-18-24

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WIEG: Results of the WIEG and WPSC COSS (adjusted to incorporate the $1.7 million change for single-phase/three-phase allocation) should be given greatest weight in allocating the revenue requirement. Mr. Albrecht's proposed allocation should be refined to reflect the WIEG and WPSC COSS results, and significant modifications that Mr. Singletary made to his COSS, all of which were made part of the record after Mr. Albrecht's proposal. Evidence supports equal treatment for Rg-1/Rg-2 customers and Cp-1.		WIEG Initial Brief, at 14-17.
COMMISSION ALTERNATIVES		
Alternative One: Approve the electric revenue allocation proposed by WPSC in Ex.-WPSC-Laursen-2, as adjusted for the final revenue requirement.		
Alternative Two: Approve the electric revenue allocation proposed by Mr. Albrecht in Ex.-PSC-Albrecht-1, as adjusted for the final revenue requirement.		
Alternative Three: Approve the electric revenue allocation proposed by CUB in Ex.-CUB-Wallach-2, as adjusted for the final revenue requirement.		
Alternative Four: Approve the electric revenue allocation proposed by WIEG in its Opening Brief, at 14-17.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Issue 26: How should any changes in the final revenue requirement for electric service be allocated among the customer classes?

Issue Scope: Changes to the final revenue requirement can be spread to all of the electric customer classes based upon various allocations. It could be based on a particular COSS or it could be allocated using particular allocators that are appropriate for significant cost changes. For example a large change in fuel costs, which are generally accepted as being energy-related, would be allocated based upon class energy sales. (Direct-Albrecht-2 to 4.)

PARTY POSITIONS	AMOUNT*	TRANSCRIPT REFERENCES
WPSC: Allocations of changes to the final revenue requirement should be consistent with the WPSC COSS.		
CUB: Any total system difference between the Commission's revenue requirement and the Commission staff audit should be allocated to customer classes in equal proportion, such that all customer classes would experience an equal percentage change in revenues due to the difference between the Commission's revenue requirement and Commission staff's audit. Given that CUB supports a decrease in the Company's electric revenue requirement of $8.7 million, all classes should receive a decrease calculated using Mr. Wallach's adjustment method.		CUB Initial Brief, at pp. 24-25; Rebuttal-CUB-Wallach-5-6
WIEG: To the extent the change can be identified and there is no difference between witness' testimony as to the allocator to be used for the affected costs, that allocator should be used. If the change can be well-identified and there is a dispute between the parties, use of the appropriate allocator (or some compromise) should first be agreed upon by the affected parties. In the alternative, the revenue requirement increase should be adjusted proportionately.		WIEG Reply Brief, at _____.

COMMISSION ALTERNATIVES

Alternative One: Approve an allocation of changes to the final revenue requirement based upon a particular COSS.

Alternative Two: Approve an allocation of changes to the final revenue requirement that proportionally based on total class

Notes:

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Issue 27: What should be the Act 141 rate factors reflected in the 2014 electric rates? (Uncontested)		
Issue Scope: The specific Act 141 rate factors included in the rate proposals differ slightly due to differences between WPSC's and the Commission staff's electric sales forecast. The forecast of energy sales is used to calculate the Act 141 rate factors and will affect the final Act 141 rate factors. The methodology for allocating the Act 141 costs is not at issue in the case. Parties did not object to the Commission staff's approach to allocating the Act 141 costs to the residential and non-residential customer classes based on an approximate 40/60 percent split between the residential and non-residential classes, which is based on the statewide spending by Focus on Energy for these classes. (Direct-Albrecht-5, Ex.-PSC-Albrecht-2, Schedule 3.)		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: Uncontested.		
COMMISSION ALTERNATIVES		
Uncontested Alternative: Determine that the Act 141 rate factors proposed by Mr. Albrecht and shown in Ex.-PSC-Albrecht-2, as adjusted for the final electric sales forecast are reasonable.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Issue 28: What is the appropriate overall electric rate design?		
Issue Scope: The Commission generally choses one of the comprehensive electric rate design proposals in addition to making separate decisions on specific rate design sub-issues.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: WPSC's electric rate design reflects the cost of service, is just and reasonable, innovative, and provides customers opportunities to manage their energy usage, benefit from access to market pricing, and support renewable energy.		Direct-WPSC-Laursen-2, 21-24
CUB: The Commission should adopt the rate design that Mr. Wallach recommended for the Company's residential and small business customer classes.		CUB Initial Brief, at pp. 25-26; Rebuttal-CUB-Wallach-6-7; Ex.-CUB-Wallach-3
WIEG: Supports WPSC's proposed increases to the demand and energy charges for the Cp Customers.		Direct-WIEG-Stephens-34
Commission Staff: The Commission staff electric rate design alternative includes lower increases in the customer charges. It also includes increases in the demand charge revenue that are greater than the percentage increases in energy charge revenue within each the demand metered rate classes. Commission staff's rate design produces lower intra-class bill impacts for some customer compared to WPSC's proposal, primarily due to WPSC's significant increases in demand charges and customer charges.		Direct-Albrecht-6 to 7, Ex.-PSC-Albrecht-1, Surrebuttal-Albrecht-1 to 2, Ex.-PSC-Albrecht-2
COMMISSION ALTERNATIVES		
Alternative One: Approve the electric rate design proposed by WPSC in Ex.-WPSC-Laursen-2, as adjusted for the remaining sub-issues and the final revenue requirement.		
Alternative Two: Approve the electric rate design proposed by Mr. Albrecht in Ex.-PSC-Albrecht-1, as adjusted for the remaining sub-issues and the final revenue requirement.		
Alternative Two: Approve the electric rate design for the residential and small commercial customer classes proposed by Mr. Wallach in Ex.-CUB-Wallach-3, along with one of the above rate design alternatives for the other customer classes, as adjusted for the remaining sub-issues and the final revenue requirement.		
Notes:		

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Issue 29a: Should the customer charges for the small energy-only rate classes be increased and, if so, how much??

Issue Scope: The Small Energy-only rate classes listed below are billed a customer charge along with energy charges, but no demand charges. A stipulation was filed by the parties in docket 6690-UR-119 that included a decrease in the customer charges to their current level for the small energy-only rate classes. The Company proposed a significant increase to the customer charges. Commission staff proposed lesser percentages increases for these charges. (Direct-PSC-Albrecht-6-7, Ex.-PSC-Albrecht-1.)

			WPSC Proposal		CUB Alternative with RSM Termination		CUB Alternative with RSM Extension		Commission Staff Alternative	
		Current Charge	Proposed Charge	Percent Change	Proposed Charge	Percent Change	Proposed Charge	Percent Change	Proposed Charge	Percent Change
Rg-1, 3, 5	**Single Phase**	$5.70	$10.40	82.46%	$8.40	47.37%	$5.70	0.00%	$7.00	22.81%
Rg-2, 4, 6		$7.00	$10.40	48.57%	$8.40	20.00%	$5.70	-18.57%	$7.00	0.00%
Cg-1, 3		$7.25	$12.50	72.41%	$8.50	17.24%	$7.25	0.00%	$8.50	17.24%
Cg-2, 4		$8.50	$12.50	47.06%	$8.50	0.00%	$7.25	-14.71%	$8.50	0.00%
Rg-1, 3, 5	**Three Phase**	$9.70	$17.70	82.47%	$10.25	5.67%	$10.25	5.67%	$12.00	23.71%
Rg-2, 4, 6		$11.00	$17.70	60.91%	$10.25	-6.82%	$10.25	-6.82%	$12.00	9.09%
Cg-1, 3		$10.25	$17.70	72.68%	$10.25	0.00%	$10.25	0.00%	$12.00	17.07%
Cg-2, 4		$11.50	$17.70	53.91%	$10.25	-10.87%	$10.25	-10.87%	$12.00	4.35%

PARTY POSITIONS	AMOUNT*	TRANSCRIPT REFERENCES
WPSC: WPSC disputes that this is a "significant increase." WPSC seeks to increase its monthly customer charges to $10.40/month and $12.50/month for residential and small commercial customers, respectively, which are just fractions of the charges suggested by the COSS. Recovery of more fixed costs through customer charges would reduce the impact to WPSC and its customers of volatility in the company's sales.		Direct-WPSC-Laursen-8-9; Rebuttal-WPSC-Laursen-7

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CUB: The decoupling stipulation with WPSC from Docket No. 6690-UR-119 precludes CUB from opposing the Company's proposal to increase customer charges to pre-stipulation levels in the event that the RSM is not extended beyond its pilot phase. For the reasons explained by Mr. Wallach, the Commission should adopt the customer charges he proposes that are reproduced above.		CUB Initial Brief, at pp. 25-26; Direct-CUB-Wallach-18-24
COMMISSION ALTERNATIVES		
Alternative One: Approve the increases in monthly customer charges proposed by WPSC in Ex.-WPSC-Laursen-2, as adjusted for the final revenue requirement.		
Alternative Two: Approve the increases in monthly customer charges proposed by Mr. Albrecht in Ex.-WPSC-Albrecht-1, as adjusted for the final revenue requirement.		
Alternative Three: Approve the monthly customer charges proposed by Mr. Wallach in conjunction with a decision to terminate the RSM, which appears in Direct-CUB-Wallach-18-24; as adjusted for the final revenue requirement.		
Alternative Four: Approve the monthly customer charges proposed by Mr. Wallach in conjunction with a decision to extend the RSM, which appears in Direct-CUB-Wallach-18-24; as adjusted for the final revenue requirement.		
Notes:		

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<table>
<tr><td colspan="3">Issue 29b: Should the three-phase residential customers be moved into the small commercial rate classes or should they remain in the residential rate classes?</td></tr>
<tr><td colspan="3">Issue Scope: WPSC has proposed to move the three-phase residential customers into the small commercial rate classes to reduce administrative cost. Commission staff opposes this change, since the other private electric utilities in Wisconsin currently serve three-phase residential customers within the same rate classes as other residential customers. This same practice has also been applied to many of the municipal and small private utilities that the Commission regulates. Having three-phase residential customers has not been an administrative burden for other Wisconsin utilities that have three-phase residential customer charges. (Direct-Albrecht-8.)</td></tr>
<tr><td>PARTY POSITIONS</td><td>AMOUNT*</td><td>TRANSCRIPT REFERENCES</td></tr>
<tr><td>WPSC: Yes. The only difference between the residential and small commercial three-phase service is the customer charge level. This change will have a very low customer impact, but will provide long term advantages in reducing administrative cost and complexity.</td><td rowspan="2"></td><td>Direct-WPSC-Laursen-12</td></tr>
<tr><td>CUB: CUB does not oppose the Company's proposal to transfer residential three-phase customers to the small commercial rate classes.</td><td>Direct-CUB-Wallach-4</td></tr>
<tr><td colspan="3">COMMISSION ALTERNATIVES</td></tr>
<tr><td colspan="3">Alternative One: Approve the WPSC's proposal to move three-phase residential customers to the commercial rate schedules.</td></tr>
<tr><td colspan="3">Alternative Two: Maintain service to three-phase residential customers within the residential rate schedules.</td></tr>
<tr><td colspan="3">Notes:</td></tr>
</table>

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<table>
<tr><td colspan="3">Issue 29c: Should the rate designs for the demand/energy rate classes include significantly higher percentage increases for the demand charges than for the energy charges?</td></tr>
<tr><td colspan="3">Issue Scope: WPSC initially proposed 11 to 63 percent increases in demand charges compared to 2 to 7 percent increases in energy charges. WPSC’s revised rate design at Commission staff’s revenue increase level has 11 to 54 percent increases in demand charges compared to 1.8 to 6.7 percent decreases in energy charges. The result of the higher increases in demand charges is higher bill impacts for some customers. (Direct-PSC-Albrecht-6 to 7, Ex.-PSC-Albrecht-1, Surrebuttal-PSC-Albrecht-1 to 2, Ex.-PSC-Albrecht-2.)</td></tr>
<tr><td>PARTY POSITIONS</td><td>AMOUNT*</td><td>TRANSCRIPT REFERENCES</td></tr>
<tr><td>WPSC: WPSC disputes that the rate designs for the demand/energy rate classes include “significantly higher percentage” increases for the demand charges than for the energy charges. WPSC’s larger increase on the system demand charges and small increase on the energy charges is an attempt to move rates into greater general alignment with actual costs. Higher demand costs provide greater incentives for customers to reduce demand, which in turn reduces long term generation and transmission costs.</td><td rowspan="2"></td><td>Direct-WPSC-Laursen-16</td></tr>
<tr><td>WIEG: Supports WPSC’s proposed increases to the demand and energy charges for the Cp Customers.</td><td>Direct-WIEG-Stephens-34</td></tr>
<tr><td colspan="3">COMMISSION ALTERNATIVES</td></tr>
<tr><td colspan="3">Alternative One: Approve the changes in demand/energy charges proposed by WPSC in Ex.-WPSC-Laursen-2, as adjusted for the final revenue requirement.</td></tr>
<tr><td colspan="3">Alternative Two: Approve the increases in demand/energy charges proposed by Mr. Albrecht in Ex.-WPSC-Albrecht-1, as adjusted for the final revenue requirement.</td></tr>
<tr><td colspan="3">Notes:</td></tr>
</table>

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Issue 29d: Should the interruptible credits be increased?		
Issue Scope: WIEG proposed increasing the interruptible credits. WPSC opposed this change. (Rebuttal-WPSC-Laursen-8.) Commission staff's alternative rate design maintained the current interruptible credits. (Ex.-PSC-Albrecht-1.)		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: No. Interruptible customers have the ability to take firm service on short notice. Therefore, the value of interruptible capacity is short-term in nature and should be priced accordingly at or near the MISO short-term capacity market clearing price.		Rebuttal-WPSC-Laursen-8
WIEG: The Commission should increase the Cp-I2 interruptible credit by a modest 1.5 times the percentage increase in the demand charge. The credit should be increased because it is undervalued, not having changed since 2005, during which time the marginal cost of capacity has increased by nearly 300% and the demand charge has increased substantially. The interruptible credit should be tied to the cost of a peaker plant.		Direct-WIEG-Stephens-35-41; Surrebuttal-WIEG-Stephens-10. WIEG Initial Brief, at 20-21.
COMMISSION ALTERNATIVES		
Alternative One: Maintain the current interruptible credits.		
Alternative Two: Approve an increase in the interruptible credits as proposed by WIEG.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

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Issue 29e: Should the Real Time Market Pricing adder be changed?		
Issue Scope: WPSC's Real Time Market Pricing (RTMP) tariff includes a $10/MWh adder to this LMP based rate. WIEG proposed decreasing this adder. WPSC opposed this change.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: No. This adder recovers WPSC's fixed costs of serving RTMP customers, including but not limited to compliance with the RPS, energy efficiency payments, and costs of providing generation service. WIEG questions the adder's accuracy because it was based on a now-outdated LMP forecast. But that forecast was used only as a baseline on which to calculate the non-energy costs of serving these customers. Once those costs are estimated, changes to the LMP baseline are irrelevant.		Rebuttal-WPSC-Laursen-8
WIEG: The RTMP adder of $10/MWh should be reduced to between $1 and $3/MWh. The adder is intended to reflect WPSC's marginal cost of energy. The current adder is not tied to cost. There is no evidence to support the $10 adder. $1 - $3 is appropriate because WPSC's sister affiliate in Michigan charges the $1 that WPSC used to charge in Wisconsin, and utilities in other jurisdictions range from $1-$5 (regulated) and $0.50-$2.00.		Direct-WIEG-Stephens-41-46; Surrebuttal-WIEG-Stephens-12-13. WIEG Initial Brief, at 17-19.
COMMISSION ALTERNATIVES		
Alternative One: Maintain the current $10/MWh adder for WPSC's RTMP tariff.		
Alternative Two: Approve a lower per MWh adder as proposed by WIEG.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits. CAS:cmk:DL: 00884432

Issue 30: Customer Owned Generation –What is the appropriate treatment of Grandfathered Pg-4 Customers? (Uncontested)

Issue Scope: WPSC proposes a transition schedule for Pg-4 customers grandfathered under the general terms of the Pg-4 tariff in effect prior to January 1, 2011. Affected Pg-4 customers would continue to receive the grandfathered credit treatment until December 31, 2021, at which point those customers would be transitioned to the terms of the Pg-4 tariff in effect at the time. (Direct-WPSC-Laursen-26.) Commission staff indicated that it supports WPSC's proposed transition schedule. (Direct-PSC-Singletary-22.) RENEW Wisconsin (RENEW) did not comment on WPSC's proposal.

PARTY POSITIONS	AMOUNT*	TRANSCRIPT REFERENCES
WPSC: WPSC proposes the following change to the Tariff: "Customers taking service on the Pg-4 tariff prior to March 31, 2011 and customers with signed applications which were submitted to the Company prior to March 31, 2011 with less than 20kW name plate capacity may continue to be paid for their net monthly excess generation at their full retail rate until December 31, 2021. If a grandfathered customer makes any changes to the size or type of their generation, they will be treated as a new customer."		Direct-WPSC-Laursen-26
Commission Staff: WPSC's proposal provides an acceptable compromise between the utility's desire to set a date-certain sunset timeline, while at the same time allowing for a reasonable payback period for customers who had installed their generation system based on the economics of a retail rate credit.		Direct-PSC-Singletary-22

COMMISSION ALTERNATIVES

Uncontested Alternative: Grandfathered Pg-4 customers should be transitioned to the terms of the applicable Pg-4 tariff according to the transition schedule proposed by WPSC.

Notes:

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits. CAS:cmk:DL: 00884432

Issue 31: Customer Owned Generation – What is the appropriate netting structure for WPSC's Pg-4 Net Energy Billing service?		
Issue Scope: RENEW Wisconsin (Vickerman) proposes that WPSC's Pg-4 Net Energy Billing tariff be modified so as to allow Pg-4 customers to net their generation against their consumption on an annual basis. RENEW suggested the net energy billing tariffs of Madison Gas and Electric Company (MGE), Northern States Power Company–Wisconsin (NSPW), and Wisconsin Electric Power Company (WEPCO) as possible models for the implementation of an annual netting structure for WPSC's Pg-4 service. WPSC (Laursen) objects to RENEW's proposal based on its cost of service analysis. Commission staff (Singletary) did not testify directly on the subject of the Pg-4 netting structure. However, Commission staff did provide the results of a simplified analysis of Pg-4 costs which may be germane to this issue.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: Customers should be allowed to net their generation against their monthly usage. This method is consistent with FERC rulings over jurisdictional sales for resale. Furthermore, allowing customers to net on an annual basis would amount to a subsidy by customers who do not own generation and would compensate customers owning generation at a rate that is multiple times the average LMP.		Direct-WPSC-Laursen-2, 23-24; Rebuttal-WPSC-Laursen-3-6
RENEW: The Commission should order Pg-4 to include annual netting, consistent with other Wisconsin IOUs. There is no basis to treat WPSC differently and the change would have *de minimis* (if any) impacts on WPSC revenues. WPSC's only argument against relies on unsupported and conclusory assertions that any lack evidentiary support in the record.		Direct-RENEW-Vickerman-5 to 19, 44; Surrebuttal-RENEW-Vickerman 4 to 9
COMMISSION ALTERNATIVES		
Alternative One: Retain the existing netting structure for WPSC's Pg-4 Net Energy Billing service		
Alternative Two: Direct WPSC to adopt an annual net structure for Pg-4 consistent with the net energy billing tariff of Madison Gas and Electric *or* Northern States Power Company Wisconsin *or* Wisconsin Electric Company.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Issue 32a: Customer Owned Generation – Pg-4 Availability – What is the appropriate capacity limit for WPSC's Pg-4 Net Energy Billing service?		
Issue Scope: WPSC (Laursen) proposes rolling back the capacity limit of its Pg-4 Net Energy Billing tariff from the 100 kilowatt (kW) level authorized by the Commission in WPSC's last full rate case, to 20 kW, citing concerns over reduced energy sales. RENEW (Vickerman) objects to WPSC's proposal, suggesting that WPSC had not provided sufficient evidence to support a restriction in the availability of the Pg-4 tariff. Commission staff (Singletary) expressed concerns that there is incomplete or insufficient evidence regarding the costs and benefits of net energy billing service in this proceeding to support a restriction of Pg-4 service at this time.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: 20kW. Allowing customer-owned generation with a capacity greater than 20 kW to take advantage of the tariff would impair WPSC's ability to collect its fixed distribution, transmission and generation system costs that are currently included in its variable energy rates, and would ultimately require customers that do not own generation to subsidize those that do.		Direct-WPSC-Laursen-24
RENEW: There is no evidence to support this change. WPSC relies on unsupported cost of service assertions and the same arguments that the Commission rejected in 2011. Changing the system size based on this record would constitute arbitrary and unlawful action. The WEPCO order maintaining system size is not precedent for reducing system size for the first time in the Commission's history.		Direct-RENEW-Vickerman-19 to 21, 35-37, 41-44; Surrebuttal-RENEW-Vickerman-2 to 9, 10-11
Commission Staff: There is insufficient evidence in the record regarding the system costs and benefits of distributed generation under Pg-4. The Commission may wish to wait until it is able to consider more evidence before deciding on any restrictions in Pg-4 service.		Direct-PSC-Singletary-20 to 22
COMMISSION ALTERNATIVES		
Alternative One: Retain the existing 100 kW capacity limit for WPSC's Pg-4 Net Energy Billing service		
Alternative Two: Reduce the capacity limit for WPSC's Pg-4 Net Energy Billing service from 100 kW to 20 kW.		
Notes:		

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Issue 32b: Customer Owned Generation — Pg-4 Availability – Are WPSC's other proposed Pg-4 Availability Criteria changes reasonable?		
Issue Scope: WPSC proposes to restrict the availability of its Pg-4 Net Energy Billing tariff so as to exclude demand metered customers, arguing that the Pg-4 tariff is intended for small customers who are on energy-only rate schedules. (Direct-WPSC-Laursen-26.) WPSC also proposes excluding customers taking service under a Response Rewards critical-peak pricing tariff from the availability criteria for Pg-4, citing administrative burden. RENEW and Commission staff objected to WPSC's proposal. RENEW (Vickerman) and Commission staff (Singletary) argue that the utility has not provided sufficient evidence in support of either of these restrictions in the availability of the Pg-4 tariff and that WPSC's proposal is inconsistent with cost of service. Commission staff testified that WPSC has indicated that the billing system migration project currently underway at WPSC would eliminate the administrative burden WPSC states is associated with billing response rewards customers under the Pg-4 tariff.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: Yes. WPSC has withdrawn its proposal to limit net metering to energy-only customers		Rebuttal-WPSC-Laursen-6-7
RENEW: There is no evidentiary basis in the record for this change, which would prejudice large commercial and industrial customers. It contradicts WPSC's own arguments about cost of service and is based on nominal administrative costs that will be resolved through WPSC's current change in billing systems. Moreover, it assumes as a factual predicate, that the Commission will accept WPSC's other unsupported net metering changes.		Direct-RENEW-Vickerman-21 to 25, 35-37; Surrebuttal-RENEW-Vickerman-9 to 10
Commission Staff: WPSC has not provided sufficient evidence to support WPSC's proposed availability restrictions for Pg-4. WPSC's proposals to disqualify demand metered customers and customers on Response Rewards tariffs should be rejected.		Direct-PSC-Singletary-23 to 24.
COMMISSION ALTERNATIVES		
Alternative One: Allow demand metered customers and response rewards customers to take service under the Pg-4 tariff.		
Alternative Two: Allow demand metered customers to take service under the Pg-4 tariff but exclude response rewards customers from the Pg-4 tariff.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Issue 33: Customer Owned Generation – What is a reasonable avoided cost rate for WPSC's Pg-4 Net Energy Billing service?		
Issue Scope: RENEW recommends that the credit rate for net excess Pg-4 generation be modified to reflect "full avoided cost." (Direct-RENEW-Vickerman-37 to 41.) At a minimum the Pg-4 rate should reflect the time of day in which that electricity was generated. WPSC's Pg-4 tariff currently pays a flat buyback rate for net excess generation under Pg-4 this rate is equal to a weighted average of WPSC's Pg-2A parallel generation on- and off-peak rates. RENEW argues that since solar PV constitutes the bulk of generation enrolled under the Pg-4, and since solar PV generates primarily, if not exclusively during peak periods, the use of a single flat rate is unreasonable. RENEW also proposes that the Pg-4 rate include WPSC's avoided cost of transmission, as was ordered in WEPCO's most recent rate case, as well as a capacity credit. WPSC opposes RENEW's proposals. (Rebuttal-WPSC-Laursen-3.)		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: The avoided costs rate should continue to be the applicable average LMP rate. Paying more as an "incentive" would constitute a subsidy to these customers, who are already avoiding paying fixed costs of service through net metering.		Direct-WPSC-Laursen-23-24
RENEW: Avoided costs based on 8760 hourly LMPs is unreasonable based on the uncontested record evidence. 90%+ of net metering customers will be solar, providing capacity value equal to approximately 50% of system capacity, transmission reductions, and other values. These $/kW-yr avoided costs must be included and only divided by daylight hours. The energy price component of the avoided cost calculation can only be based on average 9 am-5 pm rates.		Direct-RENEW-Vickerman-26 to 33, 37-41

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

COMMISSION ALTERNATIVES
Alternative One: Continue to apply the current flat rate, average LMP buyback rate to net surplus generation under the Pg-4 Tariff.
Alternative Two: Direct WPSC to offer on-peak and off-peak average LMP buyback rates for net surplus generation under the Pg-4 tariff in addition to the current flat rate, average LMP buyback rate.
Alternative Three: Direct WPSC to set the buyback rate for net surplus generation based on average LMP during the period 9am-5pm.
Alternative Four: Continue to apply the current flat rate, average LMP buyback rate to net surplus generation under the Pg-4 Tariff, but direct WPSC to also credit customers for avoided transmission and capacity costs
Alternative Five: Direct WPSC to offer on-peak and off-peak average LMP buyback rates for net surplus generation under the Pg-4 tariff in addition to the current flat rate, average LMP buyback rate , and to also credit customers for avoided transmission and capacity costs.
Alternative Six: Direct WPSC to set the buyback rate for net surplus generation based on average LMP during the period 9am-5pm, and to also credit customers for avoided transmission and capacity costs.
Notes:

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Issue 34: Customer Owned Generation – Pg-4 Renewable Energy Credits (Uncontested)		
Issue Scope: RENEW requests that the Pg-4 tariff be modified so as to include language stating "Customer shall retain all renewable credits and other attributes associated with the energy provided to the Company pursuant to this tariff." (Direct-RENEW-Vickerman-45.) RENEW's intent is to harmonize, with respect to renewable energy credits, the language of WPSC's Pg-4 tariff with the authorized net energy billing tariffs of MGE and NSPW.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: Uncontested		
RENEW: It is uncontested that the Pg-4 tariff should explicitly reserve to the customer-generator the renewable energy credits and all other attributes associated with energy provided to the Company.		Direct-RENEW-Vickerman-45.
COMMISSION ALTERNATIVES		
Uncontested Alternative: Modify the Pg-4 tariff to include language stating "Customer shall retain all renewable credits and other attributes associated with the energy provided to the Company pursuant to this tariff."		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Issue 35: Customer Owned Generation – Should the Commission open an investigation into the costs and system benefits associated with customer owned generation?		
Issue Scope: RENEW asks that the Commission investigate and quantify the benefits that solar energy customer-generators in WPSC territory provide to their utility and therefore to non-net metered WPSC customers. (Direct-RENEW-Vickerman-47.) Commission staff expressed concern that changes to both the Pg-4 and Pg-2 service were being suggested by the company despite there being limited benefit/cost evidence in the record to support those changes. (Direct-PSC-Singletary-19 to 21.) Commission staff witness Corey Singletary suggests that the Commission may wish to direct that a more in depth analysis of the costs and benefits of customer-owned distributed generation be performed, with the results of such an analysis submitted in a future base rate case.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: WPSC's buyback tariffs are amply supported by COSS.		Direct-WPSC-Laursen-23-27
RENEW: Before the Commission can make changes requested by WPSC, evidence of cost of service and benefits of net metering customers would be required. WPSC has not provided any such evidence. One option for use in future cases is a generic Commission investigation.		Direct-RENEW-Vickerman-25 to 33, 47
Commission Staff: It is reasonable to consider both system costs and benefits when evaluating cost responsibility. Commission should direct that a more in depth analysis be performed, with the results of such an analysis submitted in a future base rate case.		Direct-PSC-Singletary-19 to 21
COMMISSION ALTERNATIVES		
Alternative One: Open an investigation into the costs and system benefits associated with customer owned generation.		
Alternative Two: It is not necessary to open an investigation into the costs and system benefits associated with customer owned generation at this time.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits. CAS:cmk:DL: 00884432

Issue 36: Customer Owned Generation – What is the appropriate Pg-2 Customer Charge?		
Issue Scope: WPSC proposes that the Pg-2 Parallel Generation customer charge be increased from the current $10 per month to $20 per month, arguing that such an increase is supported by the company's COSS. (Direct-WPSC-Kar-3 to 4.) Commission staff witness Singletary opposes WPSC's proposed increase to the Pg-2 customer charge, arguing that the company's COSS overstates the costs of parallel generation customers. (Direct-PSC-Singletary-17 to 19.)		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: $20 per month. This charge is in line with the actual cost of service of $68.46 per month		Direct-WPSC-Kar-3
Commission Staff: WPSC's COSS overstates the cost responsibility of Pg-2 customers. There is insufficient evidence to support WPSC's proposed increase in the Pg-2 customer charge.		Direct-PSC-Singletary-17 to 20
COMMISSION ALTERNATIVES		
Alternative One: Keep the Pg-2 Parallel Generation customer charge at the currently authorized rate of $10.		
Alternative One: Increase the Pg-2 Parallel Generation customer charge to the rate of $20.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits. CAS:cmk:DL: 00884432

Issue 37: Customer Owned Generation – Pg-2 Capacity Credit (Uncontested)

Issue Scope: WPSC proposes to implement an on-peak per-kWh capacity credit for the Pg-2A and Pg-2B parallel generation tariffs based on the Midcontinent Independent System Operator, Inc. capacity auction clearing price in order to comply with the terms of those tariffs. (Direct-WPSC-Kar-4.). WPSC proposes a capacity credit for the test year of $0.00010 per kWh. Commission staff witness Corey Singletary indicated that it does not object to WPSC's proposed credit. However, given that this is relatively new approach, and considering the fact that other utilities will soon be filing modifications to their Pg tariffs in compliance with similar capacity credit language in their respective tariffs, Mr. Singletary suggests that the Commission direct that a review of market-based buyback rates be conducted in a future rate case. (Direct-PSC-Singletary-20.)

PARTY POSITIONS	AMOUNT*	TRANSCRIPT REFERENCES
WPSC: WPSC's proposal should be adopted.		
Commission Staff: WPSC's proposed Pg-2A/B capacity credit appears to be consistent with the Commission order in docket 6690-UR-122. However, given that this is relatively new approach, and considering the fact that other utilities will soon be filing modifications to their Pg tariffs in compliance with similar capacity credit language in their respective tariffs, Commission staff suggests that the Commission direct that a review of market-based buyback rates be conducted in a future rate case.		Direct-PSC-Singletary-20

COMMISSION ALTERNATIVES

Uncontested Alternative: WPSC's proposed Pg-2A/B capacity credit is reasonable. It is reasonable to direct that an in-depth review of market-based buyback rates be conducted in the company's next base rate case in order to determine whether those rates are functioning appropriately.

Notes:

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Issue 38: Customer Owned Generation – Pg-2 loss factors (Uncontested)		
Issue Scope: WPSC proposes to modify the Pg-2A and Pg-2B loss factors, arguing that the proposed loss factors are more consistent with the utility's avoided cost. (Direct-WPSC-Kar-5.)		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: Pg-2 tariff customers will not be negatively impacted by the proposed modifications.		Direct-WPSC-Kar-5-6
COMMISSION ALTERNATIVES		
Uncontested Alternative: Approve modification of the Pg-2 and Pg-2B loss factors as proposed.		
Notes:		

Issue 39: Should the Commission approve the proposed miscellaneous tariff language changes that involve issues other than the Pg-2 and Pg-4 rates and tariff? (Uncontested)		
Issue Scope: WPSC proposed several miscellaneous tariff language changes contained in the testimony of Mr. Beyer and Mr. Laursen that were in addition to the changes. (Direct-WPSC-Beyer-2 to 7, Ex.-WPSC-Beyer-1, Direct-WPSC-Laursen-22-23 & 27, Ex.-WPSC-Laursen-1, Ex.-WPSC-Laursen-4.) There are no objections to these changes.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
COMMISSION ALTERNATIVES		
Uncontested Alternative: Approve the miscellaneous tariff language changes proposed by WPSC, other than those involving the Pg-2 and Pg-4 rates or tariffs, which are contained in Ex.-WPSC-Beyer-1 and Ex.-WPSC-Laursen-1 & 4.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Issue 40: What Gas COSS and other factors should the Commission consider when allocating revenue responsibility?		
Issue Scope: In this proceeding, basically three gas COSS were submitted into the record for the purpose of identifying the cost of providing service to the various customer classes. WPSC submitted two gas COSS that adopted similar COSS methodologies. The first COSS reflected WPSC's requested revenue requirement and the second reflected Commission staff's revised revenue requirement. Commission staff submitted two gas COSS, COSS A and COSS B. COSS A is a customer-oriented study and COSS B is a commodity-oriented study.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: Both WPSC's electric and natural gas COSS attempt to associate costs with customers based on cost causation. Commission staff's natural gas rate design is generally consistent with WPSC with the exception of several fixed monthly charges. WPSC's proposed monthly residential customer charge would be approximately equal to the average charge of Wisconsin's other investor-owned gas utilities.		Rebuttal-WPSC-Hoffinan Malueg-16; Direct-WPSC-Ansay-9
WIEG: The three COSS submitted in this case have a common deficiency—their respective allocation of transmission and distribution ("T&D") costs to the customer classes. T&D costs are demand-related. Because they are demand-related, a demand allocator should be used. Because none of the COSS correctly allocate T&D costs, the Commission should approve an equal percentage increase and instruct WPSC to modify its COSS for the next rate case.		Direct-WIEG-Collins-1-16; Rebuttal-WIEG-Collins-1-5; Surrebuttal-WIEG-Collins-1-6. WIEG Opening Brief, at 21-23
Commission Staff: Together, COSS A and B provide the "bookends" of a range of reasonableness for rate design. In past rate cases, the Commission has found that one objectively "correct" standard or COSS does not exist. COSS A and B are consistent with the Commission's policy and represent a guide to setting rates.		Direct-PSC-Bauer-7 Ex.-PSC-Bauer-1

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COMMISSION ALTERNATIVES
Alternative One: The Commission should rely on the results of one or more gas COSS, as well as other factors, when allocating revenue responsibility.
Alternative Two: The Commission should adhere to the COSS results for the fixed monthly service charges and adopt WPSC's proposed fixed monthly service charges. (Discussed in Issue 41 as well.)
Alternative Three: Approve an equal percentage increase and instruct WPSC to modify its COSS in the next rate case to appropriately allocate T&D costs using the approach identified by Mr. Collins.
Notes:

Issue 41: What gas rate design proposal should the Commission consider?

Issue Scope: Commission staff's overall revenue deficiency is $7,820,000 or an amount equal to 5.95 percent of gas margin revenues at current rates. Rates determined pursuant the GRSM tariff on file with this Commission would generate $7,877,276 for the under recovery of revenues in 2012. The difference of $57,276 would represent a decrease in current margin rates. WPSC and Commission staff agree on the GRSM rate amounts, and agree or have minor differences in rates to all other non-GRSM service class rates. The major differences between the rates of WPSC and Commission staff exist in the GRSM service class rates.

In October 2008, WPSC and CUB entered into a stipulation regarding the gas and electric RSMs that was accepted by the Commission. The stipulation included reductions in the fixed monthly customer service charges for classes under the RSMs. WPSC also agreed to not to seek recovery of $2.1 million per year in revenue associated with part of the reductions in monthly customer charges. For the gas utility this amount was approximately $400,000 or approximately 1.0 percent of the monthly customer service charges of the GRSM service rate classes.

Neither WPSC nor Commission staff rate proposals deduct $400,000 in revenues. WPSC and Commission staff overall GRSM service rate class revenues are not materially different. However, WPSC proposes to return to the pre-stipulation monthly customer service charge levels and Commission staff is proposing no increase in the monthly customer service charges. To raise monthly customer service charge in light of an overall decrease in rates, WPSC lowered the volumetric distribution service rates accordingly. The proposed charges are shown below:

	Monthly Customer Service Charge Proposals	
GRSM Class	Current and Staff Proposed Rates	Pre-Stipulation and WPSC Proposed Rates
Residential	$ 7.00	$ 10.25
Standard Commercial	7.00	10.25
Small Commercial	21.00	30.00
Medium Commercial	95.00	135.00

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits. CAS:cmk:DL: 00884432

PARTY POSITIONS	AMOUNT*	TRANSCRIPT REFERENCES
WPSC: WPSC proposes to recover more of its fixed natural gas distribution costs through monthly customer charges by increasing them to pre-stipulation levels. This would bring WPSC's customer charges close to the average of other Wisconsin utilities, but still well below the levels justified by WPSC's gas COSS and well within the range of Commission staff's COSS.		Direct-WPSC-Ansay-8-9; Rebuttal-WPSC-Ansay-3-4
Commission Staff: Raising fixed charges while reducing volumetric rates reduces will reduce the customer's expected savings from using less natural gas. These customers will be harmed by a decrease in volumetric rates and WPSC will not. It will also change the economics to conserve going forward thereby reducing incentives to conserve that are currently being contemplated. Lowering volumetric margin rates also increases the therm sales allowances under the GRSM cap by 27 percent.		Direct-PSC-Bauer-18 Ex.-PSC-Bauer-2 Direct-PSC-Bauer-19-20
COMMISSION ALTERNATIVES		
Alternative One: Adopt Commission staff's gas rate proposal.		
Alternative Two: Adopt WPSC's proposed fixed monthly customer service charges and adjust the volumetric rates of the various service rates classes as necessary.		
Notes:		

* Amounts in this section reflect the difference from what is included in Commission staff testimony and exhibits.

Issue 42: Should WPSC modify its gas tariffs with respect to gas bill payment and gas service extensions? Issue 42a: Should WPSC modify its gas tariffs with respect to gas main and service extensions? (Uncontested)		
Issue Scope: WPSC proposes to modify the calculation for the extension of gas mains to reflect the authorized volumetric margin rate, exclusive of the GRSM rates. The company also proposes to add language for the review and recalculation of an extension allowance after the five-year development period in cases where the customer failed to meet the estimated annual gas usage and/or maximum daily gas demand used in the original allowance calculation. With respect to gas service extensions, WPSC proposes to modify the definition of "Allowable Service Line Footage" to remove certain restrictions on the amount of the allowance available for offsetting the cost for the installation of a new gas service line, modify customer requirements to locate and mark permanent survey stakes on their property in preparation for the installation of gas, and modify the credit allowance for the replacement, relocation, or rebuilding of existing gas services such that it matches the allowance granted to a new customer for the installation of a similar new service.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: These changes are just and reasonable, and clarify and improve WPSC's gas main and service extension rules.		Direct-WPSC-Ansay-18-19
COMMISSION ALTERNATIVES		
Uncontested Alternative: WPSC should modify its tariffs to reflect the proposed gas main and service extension revisions.		
Notes:		

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Issue 42b: Should WPSC modify its Minimum Payment Option service rules? (Uncontested)		
Issue Scope: WPSC proposes to modify the Minimum Payment Option (MPO) language for additional flexibility in the determination of subsequent minimum payments for billing arrears.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: WPSC proposes to modify the MPO language to allow for increased flexibility in the determination of subsequent minimum payment amounts during the April through September billing cycles.		Direct-WPSC-Ansay-17p; Direct-WPSC-Beyer-7
COMMISSION ALTERNATIVES		
Uncontested Alternative: WPSC should modify its tariffs to reflect the proposed Minimum Payment Option revisions.		
Notes:		

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Issue 42c: Should WPSC modify its late payment provisions? (Uncontested)		
Issue Scope: WPSC has a late payment charge of 1.0 percent per month and bills are due 21 days after issuance. Rather than apply the late payment charge immediately after the due date, WPSC provides a "grace" period. WPSC proposes to revise the "grace" period to five days from the current seven-day period.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: WPSC proposes to change the grace period, from seven days to five days, for the assessment of a late payment charge.		Direct-WPSC-Ansay-17p; Direct-WPSC-Beyer-7
COMMISSION ALTERNATIVES		
Uncontested Alternative: WPSC should modify its late payment charge provisions for a five-day grace period.		
Notes:		

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Issue 43: Should WPSC revise its Purchased Gas Adjustment Clause (PGAC) tariff? (Uncontested)		
Issue Scope: WPSC has a PGAC tariff on file that provides cost recovery for differences in the actual cost of gas incurred and the sales recovery of such cost. These differences are determined by periodic reconciliations and recovered over a stated period. Commission staff is proposing to revise the periodic reconciliations and recovery periods.		
PARTY POSITIONS	**AMOUNT***	**TRANSCRIPT REFERENCES**
WPSC: WPSC will work with Commission staff to revise WPSC's existing PGAC tariff based on the changes proposed by Mr. Bauer submitted with his supplemental direct testimony as Exhibit Ex.-PSC-Bauer-3.		Surrebuttal-WPSC-Ansay-1-2
Commission Staff: The proposal to change the tariff will neither revise WPSC's current purchased gas cost allocations to the various cost of gas rate factors nor change the costs incurred and associated sales recovery of such costs. The changes will allow WPSC to utilize the Commission's new online PGA filing system in a manner that would be consistent with all the other state utilities that file PGAs.		Supplement Direct-PSC-Bauer-1-2 Ex.-PSC-Bauer-3
COMMISSION ALTERNATIVES		
Uncontested Alternative: WPSC should modify its PGAC tariff to reflect the changes proposed by Commission staff.		
Notes:		

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Issue 44: Should WPSC revise its penalties for unauthorized use of gas during low-flow constraint periods?

Issue Scope: WPSC's declared a system-wide, low-flow constraint from March 16, 2012, to March 31, 2012. WPSC assessed a total of $166,422 in penalties and approximately three times the normal level of charges for daily imbalances during this low-flow constraint period. The penalty charges represent charges on the unauthorized use of gas or on the amount of delivered gas over actual use. The imbalance charges represent charges on the amount of actual gas use over delivered gas. The imbalance charges were higher than normal because transportation customers purposefully under nominate (deliver more than the expected use) during a low-flow constraint to reduce the risk of incurring penalties. (Rebuttal-WPSC-Ansay-4-5, Surrebuttal-Integrys Energy-Hess-2-3.)

On March 30, 2012, WPSC filed a request to increase electric and natural gas rates, by $85.1 million (9.2 percent) and $12.8 million (3.7 percent), respectively, to be effective January 1, 2013. However, on October 3, 2012, WPSC filed a request with the Commission to approve a rate case settlement regarding the March 2012 rate application.

The rate case settlement agreement included a proposal to work with the transporters in regard to constraints as a result of issues arising from WPSC's declaration of a system-wide low-flow constraint from March 16, 2012, to March 31, 2012. An agreement to modify the imbalance charges for high and low-flow constraints was made in a collaborative effort by WPSC, Constellation NewEnergy-Gas Division, LLC, Integrys Energy Services, Inc. and Commission staff. However, the parties were unable to reach an agreement on the levels of penalties for the unauthorized use of gas during a low-flow constraint period. (Rebuttal-CNEG-Fabrizius-2-3.)

Integrys Energy Services (IES) proposed the following three changes to low-flow constraint penalties: (1) reduce the penalties or, at a minimum, tier the penalties, (2) pool all the transportation sales and nominations, and (3) waive the penalties if WPSC does not incur any interstate pipeline penalties. If the Commission does not adopt his proposal, then the Commission should at least consider waiving the penalties in certain circumstances. (Direct-Integrys Energy Services- Andy Hess- 4.)

WPSC indicated it willingness to restrict the assessment of penalties during a WPSC declared Low-Flow Constraint Period to when WPSC incurs interstate pipeline penalty charges and/or cycling fees. (Surrebuttai-WPSC-Ansay-3, Ex.-WPSC-Ansay-4.)

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Decision Matrix
WISCONSIN PUBLIC SERVICE CORPORATION
Docket 6690-UR-122
October 23, 2013

PARTY POSITIONS	AMOUNT*	TRANSCRIPT REFERENCES
WPSC: WPSC is responsible for maintaining its system in balance and needs the leverage of potential penalties to accomplish that. WPSC has addressed marketer concerns by proposing to modify its gas tariff and restricting the assessment of penalties during a low flow constraint period.		Rebuttal-WPSC-Ansay-6-7 Surrebuttal-WPSC-Ansay-3 Sur-surrebuttal-WPSC-Ansay-2-3
IES: Integrys Energy would accept WPSC's proposed revision to Section 15, Part B (4), with the following additional language that ensures that any penalties imposed by WPSC are limited to the total amount of penalty charges and/or cycling fees imposed by the interstate pipeline: 4. ...<u>but only to the extent and amount of penalties that the Company is assessed penalty charges and/or cycling fees by any interstate pipeline(s) during such Low Constraint Period.</u>		Sur-surrebuttal-WPSC-Ansay-3; Ex. WPSC-Ansay-4; Surrebuttal-Integrys Energy Services-Hess-4
Constellation NewEnergy – Gas Division LLC: Yes, WPSC should revise its low flow penalties. Constellation supports any of the four low flow constraint penalty options proposed, including the revised tariff language offered by WPSC.		Rebuttal-CNEG-Fabrizius-6 Ex.-WPSC-Ansay-4
COMMISSION ALTERNATIVES		
Alternative One: Adopt WPSC proposal that modifies its gas tariff for the purpose of restricting the assessment of penalties during a low-flow constraint period.		
Alternative Two: Adopt WPSC proposal that modifies its gas tariff for the purpose of restricting the assessment of penalties during a low-flow constraint period to the extent and amount of penalties that the Company is assessed penalty charges and/or cycling fees by any interstate pipeline(s) during such low-flow constraint period.		
Alternative Three: Incorporate the three changes to the low-flow constraint penalty provisions as proposed by IES		
Notes:		

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