April 28, 2022

Cru Stubley  
Public Service Commission of Wisconsin  
P.O. Box 7854  
Madison, WI 53707-7854

Re.: 6690-UR-127 – Application of Wisconsin Public Service Corporation for Authority to Adjust Electric and Natural Gas Rates

Dear Mr. Stubley:

As directed by the Commission’s Order in docket 6690-AF-100, Applicant is now filing for approval to adjust electric and natural gas rates effective January 1, 2023.

Ongoing capital investment in WPSC’s electric generation fleet accounts for a significant portion of the company’s 2023 revenue deficiency. WPSC will invest $500 million in these efforts between 2020 and 2023. The Commission has already approved a significant amount of this capital, including for the Badger Hollow II solar project, the Paris solar and battery project, and the Weston natural gas RICE project. The company anticipates approval for the rest of the projects that comprise this investment in 2022 or 2023, including the proposed acquisitions of the Darien solar and battery project, the Whitewater natural gas plant, and a portion of the Riverside Energy Center. Together, the revenue requirement for these capital investments made since WPSC’s last rate case totals $90.9 million.

Three additional drivers account for the balance of the 2023 revenue deficiency: $9.2 million in transmission expense increases; $19.6 million due to expiring wholesale contracts; and $4.6 million in increased day-to-day operations and maintenance expense.

These cost increases are offset by savings WPSC can manage. Anticipated sales growth results in a $43.2 million reduction to the revenue requirement; decreased regulatory amortizations shave $7.2 million off the revenue requirement; and tax savings account for another $11.3 million in savings.

WPSC’s total cost to provide electric service to customers in 2023 will be approximately $73.9 million, or 6.2%, higher than is recovered under current rates. Based on preliminary analysis, a typical residential customer’s bill is expected to increase between $5-$6 per month.

Fuel costs for 2023, which are reflected in the forecast revenue deficiency summarized above, are expected to decline by a total of $81.7 million (22.4%) compared to the company’s 2022 authorized fuel plan.
WPSC seeks a limited electric rate reopener for 2024 to address the revenue requirements associated with recovering new capital investments that will achieve commercial operation in 2023 and 2024. This reopener will also ensure that customers receive the full benefit of reduced operations and maintenance expenses from future coal plant retirements. Additionally, the company expects to file a fuel plan case for 2024.

WPSC also seeks an increase of $30.3 million (or 8.3%) for WPSC-Gas Operations. The increase for the gas utility is largely driven by capital investments that have been made to maintain and improve safety and reliability.

Accompanying this Application is the following direct testimony:

- Mr. Ted Eidukas gives an overview of WPSC’s request in this case.
- Mr. Joseph Zgonc presents WPSC’s forecasted income statements and balance sheets along with the test year revenue requirement for each utility. Mr. Zgonc also discusses WPSC’s capital investments since its last rate case and requested changes to their capital structure.
- Ms. Kimberly Keller presents WPSC’s fuel cost plan for 2023.
- Mr. Jared Peccarelli supports the 2023 electric sales forecast for WPSC and the 2023 gas sales forecast for WPSC – Gas Operations.
- Ms. Ann Bulkley of The Brattle Group discusses WPSC’s requested changes to authorized return on equity and capital structure.
- Mr. Todd Shipman of Concentric Energy Advisors addresses the effects of regulation on utility credit ratings and, ultimately, borrowing costs.

The attached testimony and exhibits demonstrate that WPSC’s requested rate increases will result in just and reasonable rates while we continue to provide affordable, reliable, and clean electric and natural gas service.

Finally, we will be filing separate cost of service and rate design testimony for WPSC in late-May.

Sincerely,

Robert M. Garvin
Executive Vice President
External Affairs