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August 12, 2014

VIA ELECTRONIC FILING

Ms. Sandra J. Paske  
Secretary to the Commission  
Public Service Commission of Wisconsin  
610 North Whitney Way  
P.O. Box 7854  
Madison, WI 53707-7854

Re: Application for the Reconciliation of Actual Cost for Items in the Approved Fuel  
Cost Plan for Plan Year 2013  
Docket No. 3270-UR-118

Dear Ms. Paske:

The reported 2013 monitored fuel costs of Madison Gas and Electric Company (MGE) show a deferred account balance credit of \$6,747,971. By letter dated July 24 (PSC REF #212793), MGE informed the Commission that it proposed devoting half of the deferred account balance credit to offset its 2015 electric rates and half to offset its 2016 rates to reduce the level of rate increases that would otherwise be necessary in light of projected increases in fuel costs.

On July 24, the Commission issued a memorandum addressing MGE's reconciliation of 2013 fuel costs and inviting comments by August 5. The memorandum set forth four alternative approaches to disposition of the deferred account balance credit.

Responsive comments were submitted by Citizens Utility Board (CUB) (PSC REF #213231) and by Airgas Merchant Gases (Airgas) and Wisconsin Industrial Energy Group (WIEG) (PSC REF #213258).

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CUB recommended that the Commission order MGE to credit the deferred account balance credit to customers in their next monthly bill. CUB stated further that if, notwithstanding CUB's recommendation, the Commission determines that the deferred account balance credit should be applied as an offset against upcoming electric rate increases, then its preference is that the offset should be limited to rates during the 2015 test year, with interest calculated at MGE's weighted cost of capital.

WIEG and Airgas similarly endorse the option of MGE returning the deferred account balance credit to its customers in their next monthly bill. WIEG and Airgas also state as a fallback position that if the Commission allows MGE to apply the deferred account balance as an offset to its requested rate increase, the period of the offset should be as short as possible and interest should be calculated on the basis of MGE's weighted cost of capital.

Having considered the staff memorandum and the comments of CUB and of Airgas and WIEG, MGE is willing to amend its proposal to the Commission such that it apply the 2013 deferred account balance credit as an offset to electric rates for the 2015 test year only, and not spread the offset over two years. MGE, therefore, requests that the Commission adopt a modified version of Alternative Two set forth in the Memorandum:

Accept MGE's reported 2013 monitored fuel costs and allow MGE to refund the fuel cost over-collections of \$6,747,971 as an offset to its anticipated electric rate increase through the end of 2015, with interest calculated at MGE's short-term debt rate for 2014, and MGE's weighted cost of capital from January 1, 2015 through December 31, 2015.

Thank you for your consideration of MGE's position. This letter will be sent electronically to all parties on the service list for Docket No. 3270-UR-118 and any individuals or parties who have requested and currently receive the MGE monthly fuel report.

Very truly yours,



S. Bryan Kleinmaier

SBK:lsb

cc: Tamara J. Johnson, Madison Gas and Electric Company