

BEFORE THE  
PUBLIC SERVICE COMMISSION OF WISCONSIN

**Application of Madison Gas & Electric For  
Authority to Change Electric and Natural Gas Rates**

Docket 3270-UR-120

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**SURREBUTTAL TESTIMONY OF MICHAEL J. VICKERMAN  
ON BEHALF OF RENEW WISCONSIN AND THE ENVIRONMENTAL LAW  
AND POLICY CENTER**

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**Q. Please state your name and your address.**

A. My name is Michael J. Vickerman. My business address is 222 S. Hamilton St.,  
Madison, Wisconsin 53703.

**Q. Are you the same Michael J. Vickerman who previously submitted direct  
testimony in this proceeding?**

A. Yes, I am.

**Q. What is the purpose of your testimony?**

A. The purpose of my surrebuttal testimony is to address specific arguments put  
forward by Company witness Gregory Bollom in his rebuttal testimony.

1     **Q.     Mr. Bollom states that a comparison of fixed monthly charges among electric**  
2     **providers in the Midwest should include cooperative electric utilities**  
3     **(Rebuttal-MGE-Bollom-4). Do you have a response to that statement?**

4     A.     Yes. First, relative to MGE, most rural electric cooperatives serve small numbers  
5     of customers who are spread out over significant distances. Their service  
6     densities, measured by numbers of customers per line-mile of distribution, may be  
7     as little as one-tenth of MGE's service density. Pierce Pepin Cooperative Services  
8     (PPCS), a rural electric utility headquartered in Ellsworth, Wisconsin, explains  
9     this dynamic on its web site.

10            "The monthly facility charge represents a cooperative member's  
11            equal share of our fixed costs, or those costs to purchase, build,  
12            inspect and maintain power lines, substations, equipment and  
13            buildings – the infrastructure to provide you with reliable  
14            electricity, no matter how much energy, or kilowatt-hours, you  
15            actually use. This charge may fluctuate among electric utilities.  
16            The reason is density, or the number of members or customers  
17            served by the utility that can share in paying these fixed  
18            costs. PPCS has just 5.7 members per mile of line while an  
19            investor-owned utility (IOU) has an average of 34, and municipal  
20            utilities serve about 48 customers. This means that PPCS has far  
21            fewer members to help pay for these fixed costs."<sup>1</sup>

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23     With this in mind, a comparison of fixed monthly charges between a rural electric  
24     utility and MGE, with its relatively compact service territory, is clearly an apples-  
25     to-oranges exercise.

26            Further, MGE has an almost exclusively urban service territory with an  
27     average number of customers per line mile of 68.9 by my calculations, double the  
28     national average for IOUs. According to MGE Energy's 2013 annual report –

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<sup>1</sup> Please note that the figure of 34 customers per line mile reported by Pierce Pepin appears to be a national average as is found on the website for the National Rural Electric Cooperative Association (NRECA) found at <http://www.nreca.coop/about-electric-cooperatives/co-op-facts-figures/>.

1 MGE “generates and distributes electricity to approximately 141,000 customers”  
2 (Ex.-RENEW-Vickerman-2, page 3), and as of “December 31, 2013, MGE owned  
3 890 miles of overhead electric distribution line and 1,157 miles of underground  
4 electric distribution cable” (Ex.-RENEW-Vickerman-2, page 2). Adding the  
5 overhead and underground electric distribution lines totals 2,047 miles. Dividing  
6 141,000 customers by 2,047 miles leads to 68.9 customers per line mile, double  
7 the national average for IOUs. By this measure, MGE’s confined service territory  
8 should lead to much fewer fixed charges per customer, since they have many  
9 more customers over which to spread relatively fewer fixed costs.

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11 Second, Mr. Bollom states (Rebuttal-MGE-Bollom-5) that “[t]hese fixed charge  
12 levels are particularly relevant since unlike investor-owned utilities that must seek  
13 PSCW approval of specific rate levels, cooperatives answer directly to their  
14 customers that are their owner-members.” If rural electric cooperatives should be  
15 included in such a comparison, then so should municipal electric utilities, which  
16 are overseen by officeholders answerable to the voters in that jurisdiction. While  
17 most Dane County residents are either customers of MGE or Wisconsin Power &  
18 Light, municipal electric utilities have a strong presence here. In addition there is  
19 one rural electric cooperative, Adams-Columbia, that provides service to a small  
20 slice of northeast Dane County. For comparison purposes, the table below lists  
21 monthly fixed customer charges in place among various local jurisdictions in  
22 Dane County.

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City or township	Electric Provider	2014 Fixed Charge	2015 Fixed Charge (proposed)
Fitchburg	Madison Gas & Electric	\$10.29	\$19.00
Madison	Madison Gas & Electric (90%)	\$10.29	\$19.00
Middleton	Madison Gas & Electric	\$10.29	\$19.00
Monona	Madison Gas & Electric	\$10.29	\$19.00
Mt. Horeb	Mt. Horeb Electric Utility	\$7.00	\$7.00
Oregon	Alliant (WI Power & Light)	\$7.56	\$7.56
Stoughton	Stoughton Electric	\$7.50	\$7.50
Sun Prairie	Sun Prairie Utilities	\$7.00	\$7.00
Verona	Alliant (WI Power & Light)	\$7.56	\$7.56
Waunakee	Waunakee Water & Light	\$7.50	\$7.50
York	Adams-Columbia Electric Cooperative	\$30.87	\$30.87

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4 As is plainly evident, MGE's fixed charge proposal, if adopted, would constitute a  
5 dramatic departure from the levels seen with neighboring municipal electric  
6 utilities.

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8 **Q. Mr. Bollom states that he does not believe that MGE's residential**  
9 **customers will find MGE's proposed fixed charges unreasonable. Do you**  
10 **have a response to this?**

11 A. Yes, I do. Given the tremendous amount of customer response to MGE's  
12 proposal, it seems obvious that MGE's customers do in fact find the proposed  
13 fixed charges to be unreasonable. The data for public comments is one metric we  
14 can use to discern whether MGE's customers may find the proposal unreasonable.  
15 A table showing the number of public comments in recent MGE rate cases is  
16 below:

Year	Case Number	Number of Comments
2014	3270-UR-120	891 through October 7 <sup>th</sup>
2013	3270-UR-119	13
2012	3270-UR-118	15
2011	3270-UR-117	47

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10 **Q. Mr. Bollom states that the Company understands that its customers “value**  
11 **local, distributed resources, whether those resources are owned directly by**  
12 **the company or deployed on their behalf by MGE.” (Rebuttal-MGE Bollom-**  
13 **8) Would the Company’s rate restructuring proposal advance the**  
14 **deployment of distributed resources?**

15 A. Presently, it would not. The proposed energy rate reduction would diminish the  
16 cost-effectiveness of energy conservation and on-site customer generation.  
17 Customers recover their investment in conservation and self-generation through  
18 the energy rate. The monthly fixed charge, in and of itself, does not influence the  
19 rate and quantity of the savings earned from investments in energy efficiency and  
20 self-generation. As applied to residential and small commercial customers, the  
21 lower energy rate in 2015 would reduce the cost-effectiveness of ongoing

1 conservation actions by 9% for that year. While existing net metered customer-  
2 generators would be spared from the lower energy rate, a solar PV system placed  
3 in service in 2015 would not. The cost-effectiveness of that PV system would also  
4 be 9% less than it would have been the previous year, all other things being equal.  
5 Just as unsettling to prospective customer-generators is the lack of a defined  
6 policy and pricing environment beyond 2015. The initial filing proposed even  
7 lower energy rates for 2016, which portended even greater declines in the cost-  
8 effectiveness of conservation measures and self-generation. While we regard  
9 MGE's withdrawal of its 2016 rate filing as a positive development, DG  
10 installation activity in its territory is likely to taper off and remain depressed until  
11 customers and investors see the establishment of a successor rate structure that  
12 can deliver a reasonable long-term return on investment.

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14 **Q. Do you believe that MGE “can become an important and valuable vehicle for**  
15 **enhancing DG market availability and penetration?” (Rebuttal-MGE-**  
16 **Bollom-8)**

17 A. Yes, I believe that MGE can and should actively participate in the DG market.  
18 MGE certainly has the financial resources to become an active investor in high-  
19 value DG installations serving particular customers. We believe that MGE is  
20 particularly well-situated to organize DG installations financed by customers who,  
21 for one reason or another, cannot host DG systems on their premises. Between  
22 70% and 80% of MGE's customers fall into that category. This large subset will  
23 remain full requirements customers irrespective of their participation in a shared

1 solar installation owned or sponsored by MGE. The opportunity for MGE to  
2 design rates and services that facilitate shared solar for this subset of customers is  
3 growing. This opportunity, however, need not come at the expense of individual  
4 clean energy generators, who constitute a very small subset of MGE's customers.  
5 There is no reason to believe that a successful shared solar initiative hinges on  
6 energy rates that make solar self-generation unaffordable to all except the  
7 wealthiest customer segment. At this stage of the DG development in MGE  
8 territory, there is plenty of room to accommodate individual customers pursuing  
9 on-site solar generation as well as customers who fit the profile of a likely  
10 subscriber to a shared solar installation. The success of a utility-sponsored solar  
11 initiative does not in our view depend on reduced energy rates that discourage  
12 self-generation.

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14 **Q. Does this complete your surrebuttal testimony?**

15 **A. Yes.**