PSC REF#:221477

Public Service Commission of Wisconsin
RECEIVED: 10/07/14, 4:36:08 PM

BEFORE THE

PUBLIC SERVICE COMMISSION OF WISCONSIN

Joint Application of Wisconsin Electric Power Company and Wisconsin Gas Company for Authority to Conduct a Biennial Review of Costs and Rates for Test Year 2015	)))))	05-UR-107

PUBLIC COMMENT
OF
JOHN HOWAT, NATIONAL CONSUMER LAW CENTER
ON BEHALF OF
WISCONSIN COMMUNITY ACTION PROGRAM ASSOCIATION

REGARDING THE
WISCONSIN ELECTRIC POWER COMPANY PROPOSAL
TO INCREASE FIXED, MONTHLY RESIDENTIAL CUSTOMER CHARGES FROM
$9.13 PER MONTH TO $16.00 PER MONTH

October 6, 2014

My name is John Howat. I am a Senior Policy Analyst at the National Consumer Law Center ("NCLC"), 7 Winthrop Square, Boston, MA 02110. I submit this Public Comment on behalf of Wisconsin Community Action Program Association (WISCAP). WISCAP is the statewide trade association for Wisconsin's sixteen (16) Community Action Agencies and three (3) statewide single-purpose entities with anti-poverty missions. My background and experience are attached at the end of this Comment.

The purpose of this Comment is to demonstrate that the proposal of Wisconsin Electric Power Company ("the Company") to increase the electric residential rate fixed monthly charges by 75%[1] would, if approved, cause disproportionate harm to low-income, elderly, African American, Asian and Latino ratepayers, and unjustly shift costs to low-volume consumers. In addition, by shifting cost recovery from volumetric, energy charges to fixed monthly charges, the Company's proposal would diminish the customer price incentive to participate in federal and ratepayer-funded energy efficiency programs.

Because adoption and implementation of the Company's proposal would unjustly shift costs and cause disproportionate harm to low-volume, low-income residential ratepayers while undermining the viability of energy efficiency programming, the Public Service Commission ("the Commission") should reject the rate modification proposal.

Bill Impacts of Shifting Costs Away From the Volumetric Portion of The Monthly Bill And Increasing Fixed, Customer Charges

Providing for utility cost recovery through rate modifications that increase fixed charges while reducing volumetric charges penalizes the low-volume consumers within a customer class. As illustrated in the bill impact example below, increasing the fixed customer charge 75%, as proposed by the Company,

[1] The Company proposes to increase the monthly customer charge to residential and small commercial customers from $9.13 to $16.00.

even with a moderate, concomitant reduction in energy charges, increases the total monthly bill of low-volume consumers by a higher percentage than that of higher volume consumers. In fact, under the Company's proposal residential customers using 1,691 or more KWH per month, electric bills will actually decline.

Table 1

Wisconsin Electric Company:
Comparative Bill Impact - Low-Volume and High-Volume and Very High-Volume Residential General Service Customers

	Low-volume Customer	High-volume Customer	Very High-volume Customer
Monthly Usage (KWH)	450	900	1400
Initial Monthly Customer Charge	$9.13	$9.13	$9.13
Revised Monthly Customer Charge + Facilities Charge	$16.00	$16.00	$16.00
Initial Volumetric Charge	$0.139	$0.139	$0.139
Revised Volumetric Charge	$0.135	$0.135	$0.135
Initial Monthly Bill	$71.68	$134.23	$203.73
Revised Monthly Bill	$76.75	$137.50	$205.00
$ Increase	$5.07	$3.27	$1.27
% Increase	7.1%	2.4%	0.6%

In this example, an increase in monthly fixed charges from $9.13 to $16.00, along with a decrease in volumetric charges from $0.139 per KHW to $0.135 per KWH produces a 7.1% bill increase for a low-volume consumer using 450 KWH monthly, in contrast to a 2.4% increase for a high-volume consumer using 900 KWH per month. For a very high-volume consumer using 1,400 KWH per month, the adjusted bill will increase by less than 1%. The hypothetical low-volume consumer in this example will experience a monthly bill increase of just over $5.07 while the very high-volume consumer will see an increase of just $1.27. Thus, the Company's proposal, if approved, will shift costs from high-volume to low-volume customers.

Inequities of the Cost Shift

The Company's proposal, if approved, will disproportionately harm low-income, elderly, African-American, Latino and Asian electricity ratepayers. On average, Wisconsin's low-income consumers – defined here as households living at or below 150% of the federal poverty level – use less electricity than the statewide residential average and less than their higher-income counterparts. African-American, Asian and Latino headed households also use less than the statewide average. Similarly, households headed by an elder – defined here as a person 65 years of age or more – use considerably less electricity than the statewide average and less than non-elder households. Thus, the Company's proposal, if approved, will disproportionately harm these groups by increasing their bills by a higher percentage than average.

The tables and charts below illustrate that on average, low-income households in Wisconsin use 9.8% less electricity than their higher-income counterparts. Elder households use 15.5% less electricity than non-elder households. Households headed by an individual of African-American descent, on average, use 13.3% less electricity than households headed by a Caucasian. Similarly, Latino- and Asian-headed households in Wisconsin use significantly less electricity than their white counterparts.

The following pages include the detailed calculations supporting the testimony above, along with an explanation of my analysis and analytic methodology. I also include a comment regarding the Company's proposal and its effect of undermining consumer price incentives to reduce usage and participate in energy efficiency programming. Lastly, I include a summary of my background and experience.

Table 2

Average 2009 Household Electricity Usage (KWH) by Status Above or Below 150% of Poverty

Energy Information Administration, Residential Energy Consumption Survey Reportable Domain	*Household income*			Percentage Differene between average KWH low-income and non-low-income households
	Above 150% Poverty Level	At or Below 150% Poverty Level	All Households	
Connecticut, Maine, New Hampshire, Rhode Island, Vermont	8,453	5,920	7,940	-30.0%
Massachusetts	7,364	5,353	6,967	-27.3%
New York	7,039	5,431	6,578	-22.8%
New Jersey	9,155	6,760	8,902	-26.2%
Pennsylvania	10,733	8,992	10,402	-16.2%
Illinois	10,771	9,430	10,392	-12.5%
Indiana, Ohio	11,559	10,224	11,220	-11.6%
Michigan	9,206	7,508	8,695	-18.4%
Wisconsin	***8,827***	***7,961***	***8,672***	***-9.8%***
Iowa, Minnesota, North Dakota, South Dakota	11,288	8,198	10,719	-27.4%
Kansas, Nebraska	10,800	10,030	10,633	-7.1%
Missouri	13,775	13,602	13,740	-1.3%
Virginia	15,088	11,237	14,442	-25.5%
Delaware, District of Columbia, Maryland, West Virginia	14,437	12,711	14,100	-12.0%
Georgia	15,452	13,823	14,917	-10.5%
North Carolina, South Carolina	14,717	12,620	14,045	-14.2%
Florida	15,679	12,358	14,858	-21.2%
Alabama, Kentucky, Mississippi	16,307	12,915	15,236	-20.8%
Tennessee	15,766	13,512	15,132	-14.3%
Arkansas, Louisiana, Oklahoma	14,852	13,560	14,392	-8.7%
Texas	15,157	11,816	14,277	-22.0%
Colorado	7,745	5,752	7,439	-25.7%
Idaho, Montana, Utah, Wyoming	11,349	13,126	11,753	15.7%
Arizona	14,970	11,218	14,105	-25.1%
Nevada, New Mexico	10,580	9,643	10,369	-8.9%
California	7,256	5,732	6,888	-21.0%
Alaska, Hawaii, Oregon, Washington	12,841	11,726	12,570	-8.7%
Total	11,734	10,062	11,320	-14.2%

Source: 2009 U.S. EIA Residential Energy Consumption Survey data by "Reportable Domain,"

National Consumer Law Center, September 2014, jhowat@nclc.org

Figure 1

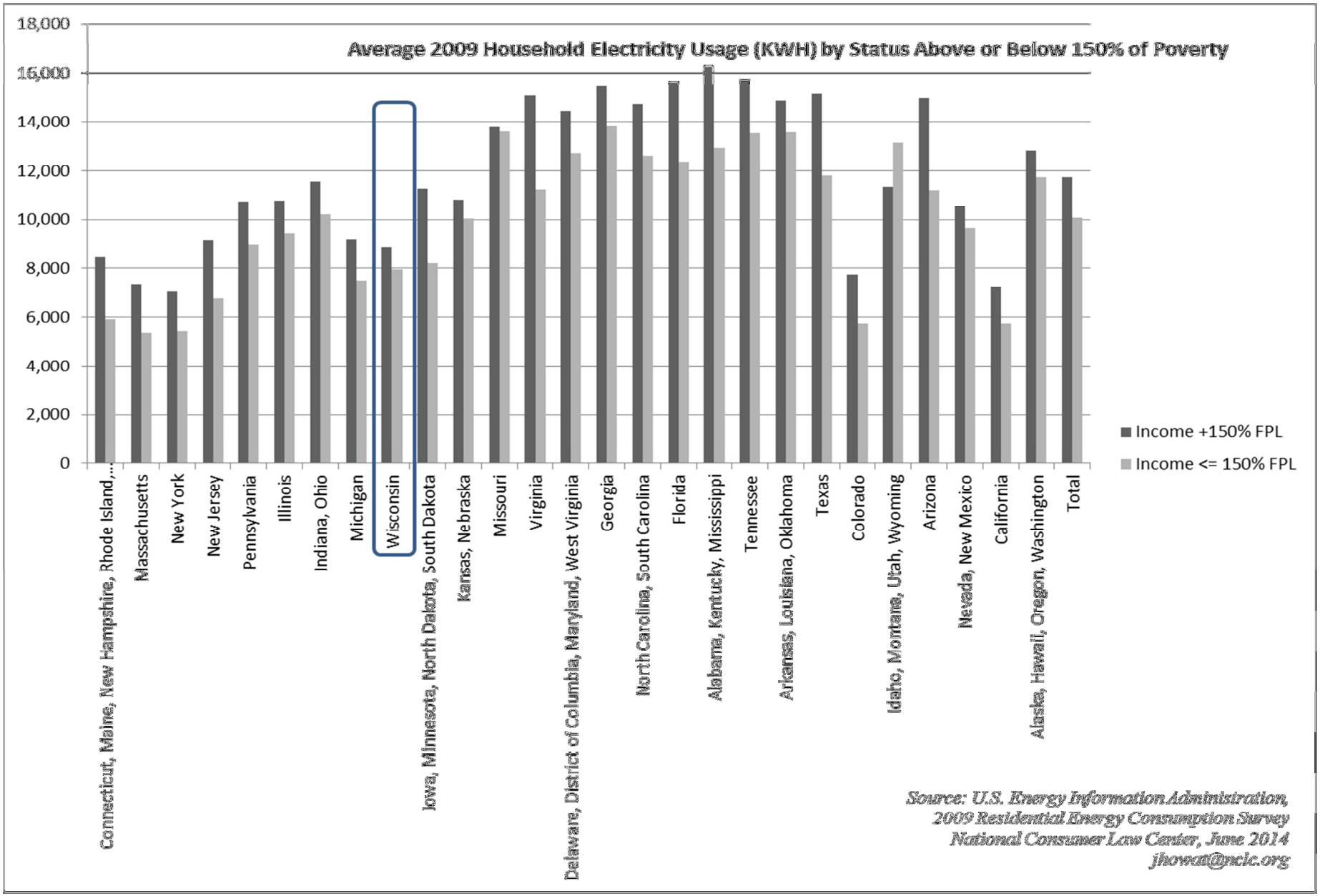

Average 2009 Household Electricity Usage (KWH) by Status Above or Below 150% of Poverty
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
Connecticut, Maine, New Hampshire, Rhode Island,...
Massachusetts
New York
New Jersey
Pennsylvania
Illinois
Indiana, Ohio
Michigan
Wisconsin
Iowa, Minnesota, North Dakota, South Dakota
Kansas, Nebraska
Missouri
Virginia
Delaware, District of Columbia, Maryland, West Virginia
Georgia
North Carolina, South Carolina
Florida
Alabama, Kentucky, Mississippi
Tennessee
Arkansas, Louisiana, Oklahoma
Texas
Colorado
Idaho, Montana, Utah, Wyoming
Arizona
Nevada, New Mexico
California
Alaska, Hawaii, Oregon, Washington
Total
Income +150% FPL
Income <= 150% FPL
Source: U.S. Energy Information Administration,
2009 Residential Energy Consumption Survey
National Consumer Law Center, June 2014
jhowat@nclc.org

Table 2

Average 2009 Household Electricity Usage (KWH) by Elder Household* Status

Energy Information Administration, Residential Energy Consumption Survey Reportable Domain	*Elder Status*			Percentage Differene between average KWH elder and non-elder households
	Householder Less than 65 Years of Age	Householder 65 Years of Age or More	All Households	
Connecticut, Maine, New Hampshire, Rhode Island, Vermont	8,392	6,214	7,940	-25.9%
Massachusetts	7,343	5,555	6,967	-24.3%
New York	6,941	5,191	6,578	-25.2%
New Jersey	9,637	7,057	8,902	-26.8%
Pennsylvania	10,955	8,570	10,402	-21.8%
Illinois	10,504	9,959	10,392	-5.2%
Indiana, Ohio	11,814	9,259	11,220	-21.6%
Michigan	8,976	7,523	8,695	-16.2%
Wisconsin	***8,943***	***7,554***	***8,672***	***-15.5%***
Iowa, Minnesota, North Dakota, South Dakota	11,210	9,135	10,719	-18.5%
Kansas, Nebraska	11,254	9,111	10,633	-19.0%
Missouri	14,434	11,583	13,740	-19.7%
Virginia	14,689	12,593	14,442	-14.3%
Delaware, District of Columbia, Maryland, West Virginia	15,044	10,717	14,100	-28.8%
Georgia	15,167	13,731	14,917	-9.5%
North Carolina, South Carolina	14,329	12,788	14,045	-10.8%
Florida	15,480	13,113	14,858	-15.3%
Alabama, Kentucky, Mississippi	16,341	12,235	15,236	-25.1%
Tennessee	15,457	13,719	15,132	-11.2%
Arkansas, Louisiana, Oklahoma	14,650	13,495	14,392	-7.9%
Texas	14,626	12,463	14,277	-14.8%
Colorado	7,808	5,877	7,439	-24.7%
Idaho, Montana, Utah, Wyoming	12,590	6,917	11,753	-45.1%
Arizona	15,461	10,879	14,105	-29.6%
Nevada, New Mexico	10,874	8,704	10,369	-20.0%
California	6,854	7,032	6,888	2.6%
Alaska, Hawaii, Oregon, Washington	12,661	12,205	12,570	-3.6%
Total	11,726	9,810	11,320	-16.3%

Source: 2009 EIA Residential Energy Consumption Survey data by "Reportable Domain,"

** Householder 65 years of age or more*

National Consumer Law Center, September 2014, jhowat@nclc.org

Figure 2

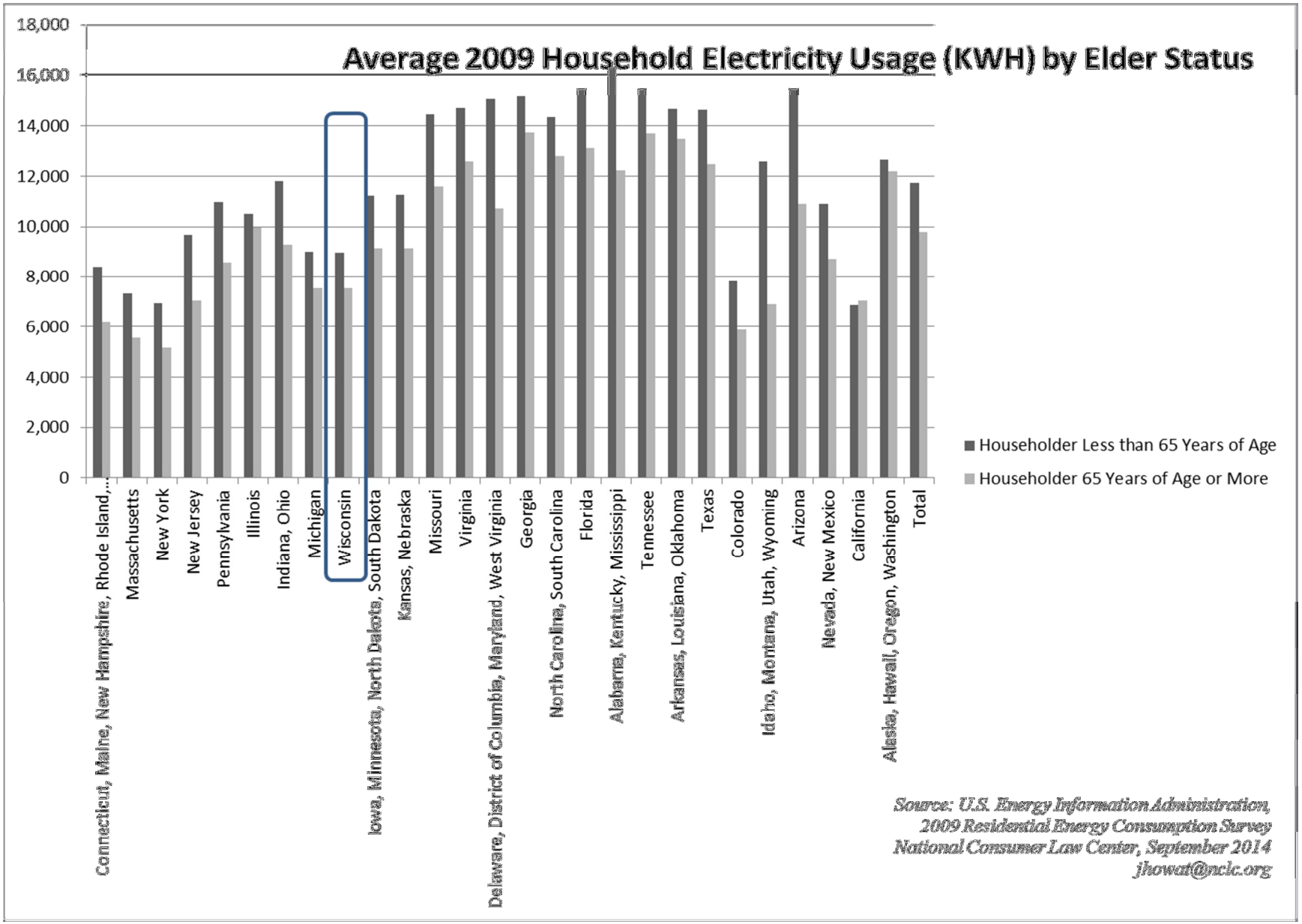

Average 2009 Household Electricity Usage (KWH) by Elder Status
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
Connecticut, Maine, New Hampshire, Rhode Island,...
Massachusetts
New York
New Jersey
Pennsylvania
Illinois
Indiana, Ohio
Michigan
Wisconsin
Iowa, Minnesota, North Dakota, South Dakota
Kansas, Nebraska
Missouri
Virginia
Delaware, District of Columbia, Maryland, West Virginia
Georgia
North Carolina, South Carolina
Florida
Alabama, Kentucky, Mississippi
Tennessee
Arkansas, Louisiana, Oklahoma
Texas
Colorado
Idaho, Montana, Utah, Wyoming
Arizona
Nevada, New Mexico
California
Alaska, Hawaii, Oregon, Washington
Total
Householder Less than 65 Years of Age
Householder 65 Years of Age or More
Source: U.S. Energy Information Administration,
2009 Residential Energy Consumption Survey
National Consumer Law Center, September 2014
jhowat@nclc.org

Table 3

Wisconsin KWH by Race of Householder

	Total Site Electricity usage, in kilowatt-hours, 2009
White Alone	8,835
Black or African/American Alone	7,661
American Indian or Alaskan Native Alone	10,758
Asian Alone	5,355
Some Other Race Alone	8,155

Figure 3

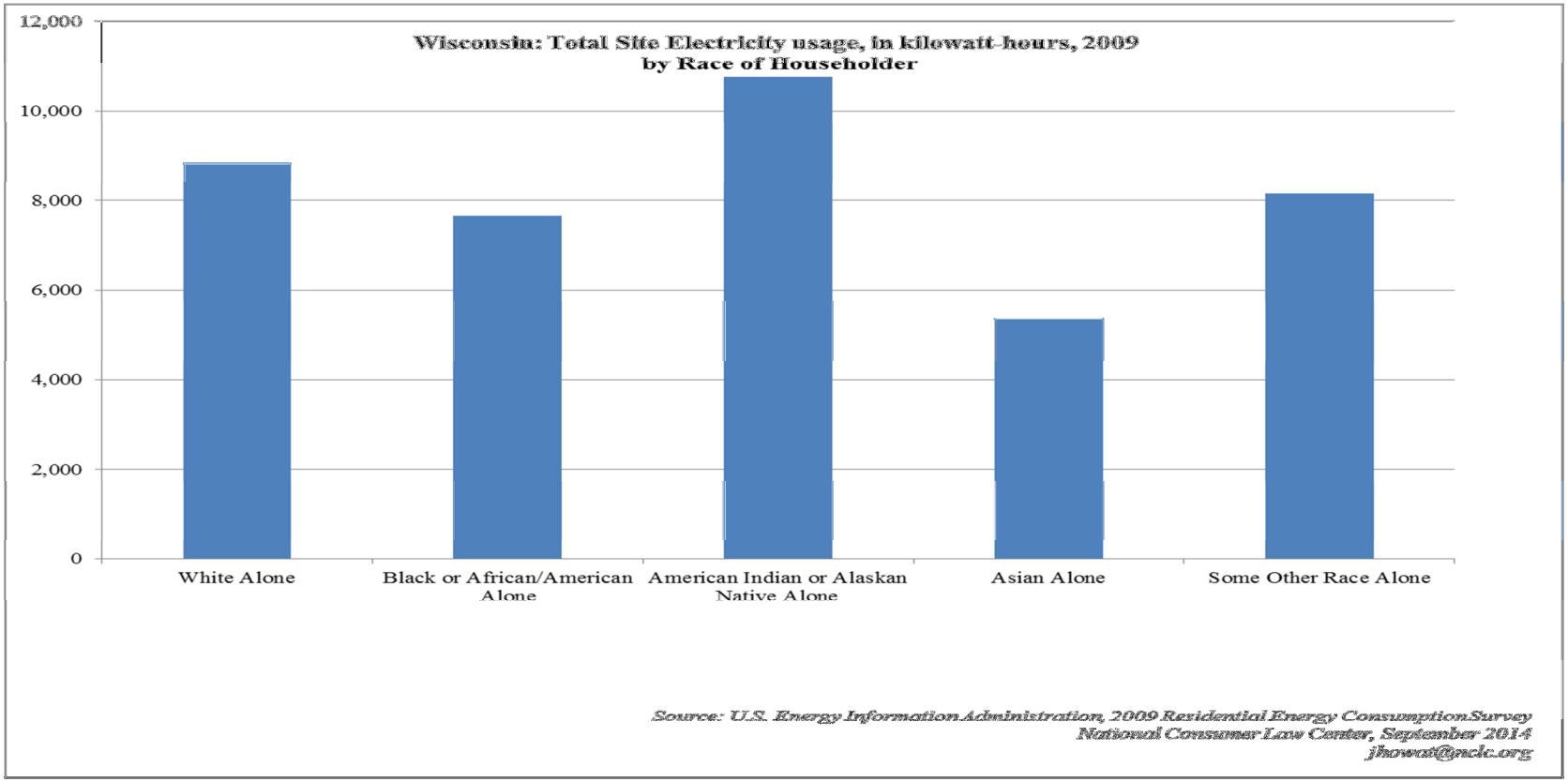


Table 4

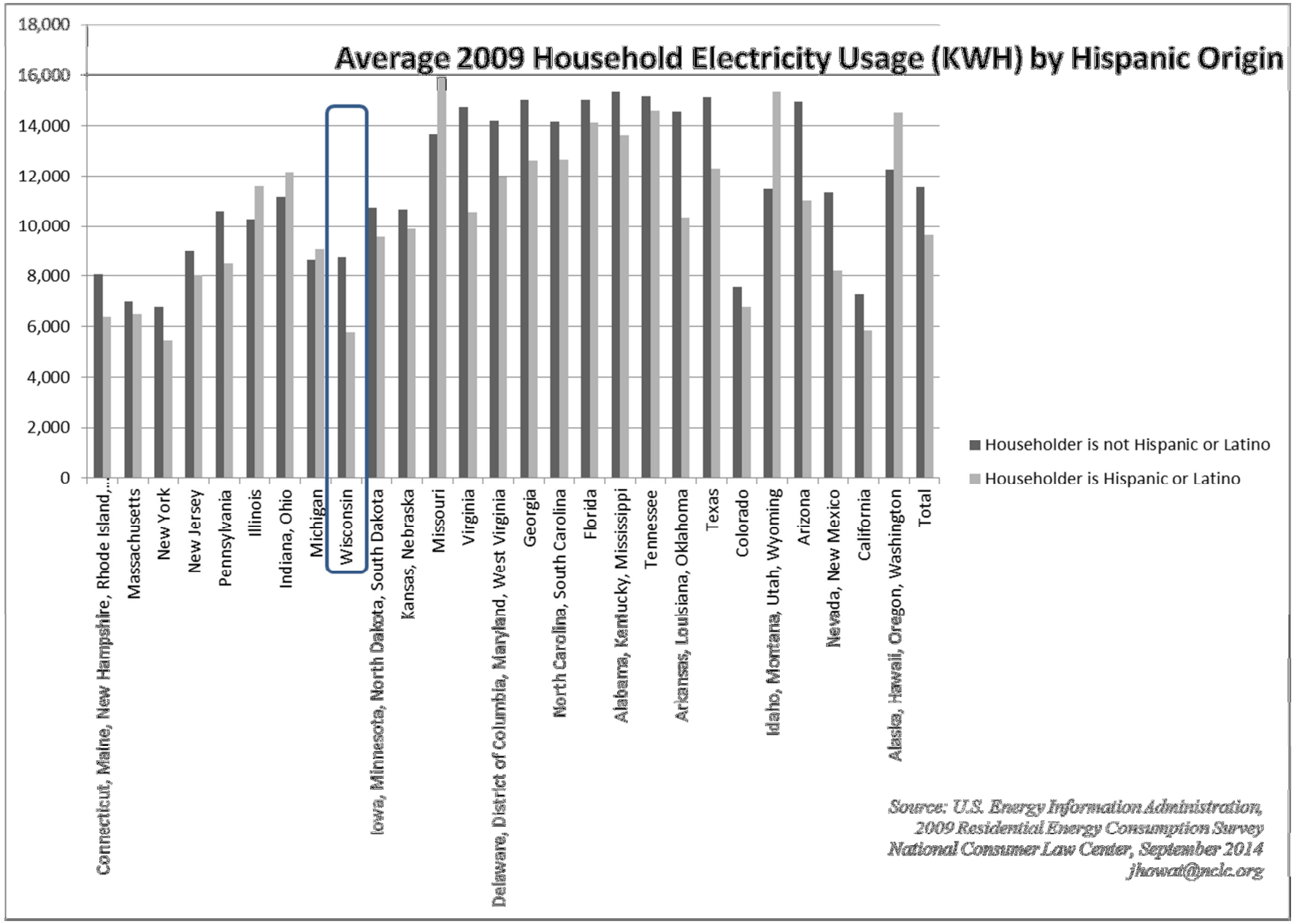
Average 2009 Household Electricity Usage (KWH) by Hispanic Origin

Energy Information Administration, Residential Energy Consumption Survey Reportable Domain	Householder is not Hispanic or Latino	Householder is Hispanic or Latino	All Households	Percentage Differene between average KWH Hispanic/Latino and Non-
Connecticut, Maine, New Hampshire, Rhode Island, Vermont	8,064	6,385	7,940	-20.8%
Massachusetts	7,025	6,488	6,967	-7.6%
New York	6,800	5,476	6,578	-19.5%
New Jersey	9,013	8,042	8,902	-10.8%
Pennsylvania	10,597	8,522	10,402	-19.6%
Illinois	10,277	11,602	10,392	12.9%
Indiana, Ohio	11,166	12,151	11,220	8.8%
Michigan	8,672	9,092	8,695	4.9%
Wisconsin	***8,781***	***5,778***	***8,672***	***-34.2%***
Iowa, Minnesota, North Dakota, South Dakota	10,747	9,581	10,719	-10.9%
Kansas, Nebraska	10,685	9,894	10,633	-7.4%
Missouri	13,683	15,926	13,740	16.4%
Virginia	14,727	10,563	14,442	-28.3%
Delaware, District of Columbia, Maryland, West Virginia	14,183	11,974	14,100	-15.6%
Georgia	15,020	12,628	14,917	-15.9%
North Carolina, South Carolina	14,159	12,650	14,045	-10.7%
Florida	15,010	14,140	14,858	-5.8%
Alabama, Kentucky, Mississippi	15,333	13,603	15,236	-11.3%
Tennessee	15,165	14,579	15,132	-3.9%
Arkansas, Louisiana, Oklahoma	14,550	10,369	14,392	-28.7%
Texas	15,120	12,288	14,277	-18.7%
Colorado	7,556	6,789	7,439	-10.2%
Idaho, Montana, Utah, Wyoming	11,493	15,329	11,753	33.4%
Arizona	14,929	11,028	14,105	-26.1%
Nevada, New Mexico	11,351	8,201	10,369	-27.8%
California	7,303	5,838	6,888	-20.1%
Alaska, Hawaii, Oregon, Washington	12,274	14,524	12,570	18.3%
Total	11,568	9,638	11,320	-16.7%

Source: 2009 EIA Residential Energy Consumption Survey data by "Reportable Domain,"

National Consumer Law Center, September 2014, jhowat@nclc.org

Figure 4


Average 2009 Household Electricity Usage (KWH) by Hispanic Origin
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
Connecticut, Maine, New Hampshire, Rhode Island,...
Massachusetts
New York
New Jersey
Pennsylvania
Illinois
Indiana, Ohio
Michigan
Wisconsin
Iowa, Minnesota, North Dakota, South Dakota
Kansas, Nebraska
Missouri
Virginia
Delaware, District of Columbia, Maryland, West Virginia
Georgia
North Carolina, South Carolina
Florida
Alabama, Kentucky, Mississippi
Tennessee
Arkansas, Louisiana, Oklahoma
Texas
Colorado
Idaho, Montana, Utah, Wyoming
Arizona
Nevada, New Mexico
California
Alaska, Hawaii, Oregon, Washington
Total
Householder is not Hispanic or Latino
Householder is Hispanic or Latino
Source: U.S. Energy Information Administration,
2009 Residential Energy Consumption Survey
National Consumer Law Center, September 2014
jhowat@nclc.org

Methodology and Results

I generated electricity usage tables and graphs using microdata from the U.S. Department of Energy, Energy Information Administration 2009 Residential Energy Consumption Survey ("RECS"). The 2009 RECS includes detailed residential energy consumption and expenditure information from 27 U.S. geographic areas referred to as "reportable domains." Wisconsin comprises one of the reportable domains.[2]

The RECS survey instrument includes questions regarding a broad range of demographic factors and household characteristics. Using SPSS statistical software I sorted RECS data to generate cross-tabulations of kilowatt-hour usage by poverty status, race, age and Hispanic origin.

Results of these analyses clearly demonstrate that in Wisconsin – on average – low-income, African American, Latino, and elderly households use less electricity than their counterparts. As indicated above, the Company's proposal, by penalizing low-volume consumers, will disproportionately harm these groups of rate payers.

Customer Incentives to Use Home Energy Efficiently

The Company's proposal, by shifting costs away from volumetric charges and onto the fixed, customer charge will undermine the price incentive to reduce usage and participate in the Company's energy efficiency programs and, for income-eligible customers, the federal Weatherization Assistance Program. Such programs, operating in conjunction with effective

[2] The RECS results cannot be sorted to provide results that apply specifically to an individual utility service territory. It should be noted that while the electricity usage among subgroups of residential consumers in the Company's service territory may vary somewhat from statewide usage, the overall patterns identified in Wisconsin are consistent with those from other geographic regions across the U.S. It is therefore reasonable to assume that the general usage patterns identified in Wisconsin and throughout the U.S. apply to the MGE service territory.

regulatory consumer protections and bill payment assistance, comprise the cornerstone of long-term, low-income home energy security.

Conclusions and Recommendation

As demonstrated above, adoption and implementation of the Company's proposal would unjustly shift costs from high-volume to low-volume consumers and cause disproportionate harm to low-income, elderly, African-American, Latino and Asian households and individuals. Further, if approved and implemented, the Company's proposal will undermine the viability energy efficiency programming critical to low-income home energy security in the long term. Therefore, NCLC and Wisconsin Community Action Program Association respectfully recommend that the Commission reject the Company's rate modification proposal.

Background and Experience

I have been professionally involved with energy program and policy issues since 1981. At National Consumer Law Center over the past fifteen years I have managed a range of regulatory, legislative and advocacy projects across the country in support of low-income consumers' access to utility and energy related services. I have been involved with rate design, the design and implementation of energy affordability and efficiency programs, regulatory consumer protections, issues related to metering and billing, credit scoring and reporting, and energy burden and demographic analysis. I have worked on behalf of community-based organizations or their associations in 20 states, and have presented testimony or comments before utility regulatory commissions in 15 states. I have worked under contract with the U.S. Department of Health and Human Services, Oak Ridge National Laboratory, the National Energy Assistance Directors' Association, the Office of the Attorney General in Nevada, the Ohio Consumers' Counsel, and AARP.

I am a presenter at conferences of National Community Action Foundation, National Low Income Energy Consortium, National Energy Assistance Directors Association, National Association of Regulatory Utility Commissions and National Association of State Utility Consumer Advocates. I am co-author of Access to Utility Service, a law and policy manual published by National Consumer Law Center; and primary author of "Home Energy Costs: The New Threat to Independent Living for the Nation's Low-Income Elderly," published in Clearinghouse Review, Vol. 9 - 10, Jan - Feb 2008; "Tracking the Home Energy Needs of Low-Income Households through Trend Data on Arrearages and Disconnections," National Energy Assistance Directors Association, 2004, http://www.neada.org/publications/Tracking_the_Need.pdf, and "Public Service Commission Consumer Protection Rules and Regulations: A Resource Guide," National Energy Assistance Directors Association, 2006, http://www.neada.org/publications/Consumer_Protection_Guide.pdf.