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Rate Decision Locks in High Costs for We Energies Customers

Sept. 7, 2017 – A decision to approve a rate proposal filed by We Energies and its sister utility will leave rates too high for the next two years while giving a select number of big businesses an off ramp from uncompetitive electricity costs.

That’s the perspective of the Citizens Utility Board of Wisconsin after the Public Service Commission (PSC) approved WEC Energy Group’s (WEC) bid to freeze rates for both We Energies in Milwaukee and Wisconsin Public Service Corp. in Green Bay.

The PSC decided to give Milwaukee-based WEC virtually everything it sought in its rate proposal, which allows the utility to retain high profits while saddling customers with extra costs in the years ahead.

“At first glance, keeping rates from going up may seem like a good deal, but this deal locks in rates that are too high for more than 1 million We Energies customers,” said Tom Content, executive director of the Citizens Utility Board. “The PSC was presented with alternatives by its staff and customer groups including CUB to save customers money, but opted for We Energies’ proposal instead.

“This deal leaves homeowners and renters paying rates that are seventh highest out of 49 Midwest utilities. That’s not good enough,” Content said. “What’s more, the decision punted key decisions down the road setting the stage for potentially very large rate increases when the freeze ends at the end of 2019.”

As part of a settlement the utility company reached with a couple dozen of its largest customers, certain companies won’t just be getting a short-term break from the utility’s high costs. Instead, these companies are eligible to keep their discounted rates, known as market-pricing rates, permanently.

“This decision locks in a two-tiered system for customers of one high-cost utility, We Energies. Big businesses get rate relief, while the rest of us are left footing the bill – with no relief in sight,” said Content.

The commission agreed to conduct a study in 2019 looking at the costs and benefits of these market rates, but then decided not to wait for the results of that study before moving to make these discounts permanent.

“That’s backwards; it makes no sense,” said Content. “It’s like saying you’re going to close the barn door while propping a back door open to let the horses out.”

CUB was pleased that, over the objections of WEC, the Commission agreed to fund and consider the points of view of CUB’s experts hired by the customer organization, which represents small businesses and residential customers across the state. WEC had argued that the work of CUB would be duplicative of what the PSC staff already does in its audit and review of the WEC proposal.

“WEC’s objections failed to recognize that under Wisconsin law, the staff of the PSC is barred from advocating on behalf of customers. The only advocacy organization fighting for fair and affordable rates is CUB, and we’re glad the commissioners agreed that the consumers’ voice deserves – and needs – to be heard.”

At the same time, though, CUB is disappointed that the Commission then ignored suggestions made by CUB and other consumer groups that were well founded, reasonable, and would bring savings to customers. CUB wanted the PSC to decide now that Wisconsin businesses and residents shouldn’t have to foot the bill for hundreds of millions in costs linked to a Michigan iron ore mine in the Upper Peninsula, but the PSC opted to wait until 2019 to rule on that.

“We made a strong case that Michiganders should be required to pay for costs linked to the U.P. -- not customers in Wisconsin,” Content said.

By approving the settlement, the PSC kept We Energies high profit rate intact at 10.2%. That’s in addition to the 12.7% profit the utility earns on nearly \$3 billion of investment in its power plants in Oak Creek and Port Washington. Profit rates for other state utilities have been lowered toward the national average of 9.8%, saving ratepayers millions.

“Wisconsin regulators have been moving toward reducing utility profits, but have lagged other states in bringing down high profits for investor-owned utilities,” Content said. “CUB was appreciative when the Commission decided to bring profit for one utility – Madison Gas & Electric – below 10%, but that was the first time that had happened in Wisconsin in decades.

“The We Energies decision is a missed opportunity for the commission to continue on a path of reining in utility income,” he added. “Instead, WEC remains on a path toward more years of record profits. But residential and most business customers, including small business customers, are left with some of the highest rates around. This was a missed opportunity to make it easier for families trying to make ends meet or for small businesses looking to expand.”

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The Citizens Utility Board of Wisconsin is a member-supported, nonprofit organization that advocates for efficient and reliable utility service, at the lowest rates possible consistent with sound business principles. CUB represents the interests of Wisconsin’s residential, farm, and small business customers of electric and natural gas utilities before the Legislature, state and federal regulatory agencies, and the courts.