

# Citizens Utility Board of Wisconsin: Double-digit rate hike for We Energies customers, utility profits kept well above national average

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Electricity costs for residential customers of We Energies will increase by 11% in January after the state Public Service Commission approved a rate increase that kept the utility's profit rate well above the national average.

The PSC on Thursday voted to approve the rate increase for We Energies customers.

The increase for residential customers is higher than it needed to be and came despite a wave of customer outcry voiced at public hearings this fall and in comments filed with the PSC.

"The PSC commissioners had a chance to bring down the size of this increase even further and missed an opportunity to limit this to a single-digit increase for residential customers," said Tom Content, executive director of the Citizens Utility Board of Wisconsin. "It's disappointing because customers were so vocal in coming out to oppose a double-digit rate hike at the hearings."

More than 1,100 We Energies customers filed online comments objecting to the rate hike, and scores of people spoke out at public hearings in Milwaukee in October.

The PSC also failed to significantly reduce the utility's return on equity, or profit rate. The PSC, which regulates monopoly utilities, hadn't had an opportunity to analyze the We Energies profit rate in more than a decade.

CUB's experts in the case concluded that the current We Energies profit rate of 10% is far higher than what is needed to attract capital from investors, and it's also well above the national average. CUB called for the profit rate to drop to 9%, in order to provide more balance between shareholders investing in the company's stock and the customers who have to foot the bill to sustain these profits.

The PSC ultimately decided, in a 2-to-1 vote, to reduce the We Energies and Wisconsin Gas profit rates to 9.8% percent. That will produce savings of nearly \$15 million for customers over the next two years, but it didn't go far enough.

"Regulators seem more interested in keeping Wisconsin's gold-plated rating as a friendly place for utility investors than they are in keeping costs affordable for the customers paying the bills," said Tom Content, CUB executive director. "Utility customers across the country are over-paying for energy services - to the tune of billions of dollars every year, and unfortunately this decision keeps that inequity in place."

From CUB's point of view, Content added: "A big takeaway from this case is that we need more balance and more attention paid to concerns of customers and their challenges at this time of rising costs."

Some of the increases that We Energies sought couldn't be avoided, including spiraling natural gas and surging coal costs as well as money the utility is investing in new power plants. But the PSC did find other ways to trim the utility's overall request.

Unfortunately, the PSC sided with big business in requiring residential and small business customers to shoulder a much bigger share of the looming increase.

During a lengthy hearing on Thursday, the PSC took a different approach than CUB expected by not approving a settlement that CUB and other groups had reached with the utility. Walnut Way Conservation Corp. in Milwaukee's Lindsay Heights neighborhood and Clean Wisconsin had objected to the settlement. The Commission ultimately approved some elements of the settlement.

Some highlights:

- Write-offs: Utility shareholders rather than customers will have to foot the bill for millions of dollars of customer late fees and overdue bills that resulted from

the state canceling customer shutoffs during the COVID-19 public health emergency.

- **Customer charge:** The fixed charge for We Energies customers will drop from \$16 a month to \$15 a month, in line with most other big utilities in the state. High fixed charges penalize customers who don't use much energy and those who take steps to pare back their energy use through energy efficiency measures or by adding solar panels.
- **Low-income help:** The PSC agreed to extend a forgiveness program for low-income customers who are behind on their bills. The agency will evaluate changes to that program, which CUB helped We Energies design, during 2023. The PSC also opened the door for We Energies to create a low-income discount pilot program for low-income customers.
- **Incentives for savings on hot summer days:** We Energies will create a new program to control participating customers' energy use on hot summer days. Customers who participate will receive a discount from the utility.

But the PSC removed a provision that would have refinanced a portion of the expenses linked to the Oak Creek coal-fired power plant that is poised to retire in the coming years. CUB views refinancing these costs as fundamental step to make the ongoing energy transition affordable for customers.

"CUB continues to believe that making customers continue to shoulder costs for coal plants long after they shut down is not the right approach for Wisconsin," said Content. "With that in mind, it's time for the Legislature to give state energy regulators more tools to bring down these costs."

Overall, the PSC's decision on Thursday signaled that the agency and its auditors will be looking to scrutinize utility expenses carefully, especially during this period of escalating cost pressures.

This is particularly important for customers of We Energies, which had the highest residential bills for any Wisconsin investor-owned utility at the end of 2021.

"We Energies and all utilities are on notice: They will need to sharpen their pencils and look for ways to cut costs wherever they can to offset increases in other areas," Content said.