

# Wisconsin Public Service: Profits kept too high as PSC approves electric rate hike

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Electricity costs for customers of Wisconsin Public Service will increase 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 WPS customers.

The increase for residential customers will be smaller than the 14-15% hike floated during public hearings held in downtown Green Bay in October. Based on the PSC decision, residential electricity costs will go up about 8.6% in January.

But the PSC missed a big opportunity to find additional savings when it failed to significantly reduce the utility's return on equity, or profit rate. The state PSC, which regulates monopoly utilities, hasn't analyzed the WPS profit rate in nearly a decade.

CUB's experts in the case concluded that the current WPS 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 9.1%, in order to provide more balance between shareholders investing in the company's stock and the customers footing the bill to sustain these profits.

The PSC ultimately decided to reduce the WPS profit rate to 9.8%, in a 2-to-1 vote.

"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 the customers and their challenges at this time of rising costs.”

Some of the increases that WPS 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, and it chose not to penalize residential and small business utility customers with an unfair cost burden, as compared with big business.

“No increase is easy to swallow, but the fact that this is a single-digit increase is significant, after the outcry and comments made at the public hearings about the potential for an increase as high as 15%,” Content said.

During a lengthy hearing on Thursday, the PSC took a different approach than CUB expected by not approving a settlement that customer groups had reached with the utility. However, the agency then approved several key elements of that settlement.

Some highlights:

- Write-offs: Utility shareholders rather than customers will 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 WPS customers will drop from \$21 a month to \$17.92 a month. WPS has had the highest fixed charge in the state for more than five years, and CUB has heard complaints from customers about this issue. 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 WPS design, during 2023. The PSC also opened the door for WPS to create a low-income discount pilot program for low-income customers.
- Incentives for savings on hot summer days: WPS 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. Residential customers complained at the public hearing about the discontinuance of a similar program several years ago, and CUB worked to bring this back.

“The PSC sent a strong signal to WPS and all utilities with this decision: During this escalating cost environment, the commission’s auditors and staff will be giving more scrutiny to utility costs and expenses and requests to increase prices,” Content said. “All utilities will need to sharpen their pencils and look for ways to cut costs wherever they can to offset increases in other areas.