

BEFORE THE  
PUBLIC SERVICE COMMISSION OF WISCONSIN

Application of Madison Gas and )  
Electric Company for Authority to ) 3270-UR-120  
Adjust Electric and Natural Gas Rates )

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

**REGARDING THE  
MADISON GAS AND ELECTRIC COMPANY PROPOSAL  
TO INCREASE FIXED, MONTHLY RESIDENTIAL CUSTOMER CHARGES FROM  
\$10.50 PER MONTH TO \$19.00 PER MONTH**

October 3, 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 Madison Gas and Electric Company (“the Company”) to increase the electric residential rate Rg-1 fixed monthly charges by 82%<sup>1</sup> 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 nearly 90%, as proposed by the

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<sup>1</sup> The Company proposes to increase the General Residential customer charge from \$10.44 to \$15.00 and to add a new monthly “grid connection charge” of \$4.00.

Company, 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 851 or more KWH per month, electric bills will actually decline.

**Table 1**

| <b><i>MGE Comaprative Bill Impact - Low-Volume and High-Volume and Very High-Volume Residential General Service Customers</i></b> |                     |                      |                           |
|-----------------------------------------------------------------------------------------------------------------------------------|---------------------|----------------------|---------------------------|
|                                                                                                                                   | Low-volume Customer | High-volume Customer | Very High-volume Customer |
| Monthly Usage (KWH)                                                                                                               | 450                 | 900                  | 1400                      |
| Initial Monthly Customer Charge                                                                                                   | \$10.44             | \$10.44              | \$10.44                   |
| Revised Monthly Customer Charge + Grid Connection Charge                                                                          | \$19.00             | \$19.00              | \$19.00                   |
| Initial Volumetric Charge                                                                                                         | \$0.13992           | \$0.13992            | \$0.13992                 |
| Revised Volumetric Charge                                                                                                         | \$0.12986           | \$0.12986            | \$0.12986                 |
| Initial Monthly Bill                                                                                                              | \$73.40             | \$136.37             | \$206.33                  |
| Revised Monthly Bill                                                                                                              | \$77.44             | \$135.87             | \$200.80                  |
| \$ Increase                                                                                                                       | \$4.03              | (\$0.49)             | (\$5.52)                  |
| % Increase                                                                                                                        | 5.5%                | -0.4%                | -2.7%                     |

In this example, an increase in monthly fixed charges from \$10.44 to \$19.00, along with a decrease in volumetric charges from \$0.13992 per KWH to \$0.12986 per KWH produces a 5.5% bill increase for a low-volume consumer using 450 KWH monthly, in contrast to a slight decrease 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 decline by nearly 3%. The hypothetical low-volume consumer in this example will experience a monthly bill increase of just over \$4 while the very high-volume consumer will save over \$5.50. 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 Difference 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%                                                                             |
| <b>Wisconsin</b>                                                                           | <b>8,827</b>             | <b>7,961</b>                   | <b>8,672</b>   | <b>-9.8%</b>                                                                       |
| 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%                                                                              |
| <b>Total</b>                                                                               | <b>11,734</b>            | <b>10,062</b>                  | <b>11,320</b>  | <b>-14.2%</b>                                                                      |

Source: 2009 U.S. EIA Residential Energy Consumption Survey data by "Reportable Domain,"  
National Consumer Law Center, September 2014, jhowat@nclc.org

Figure 1

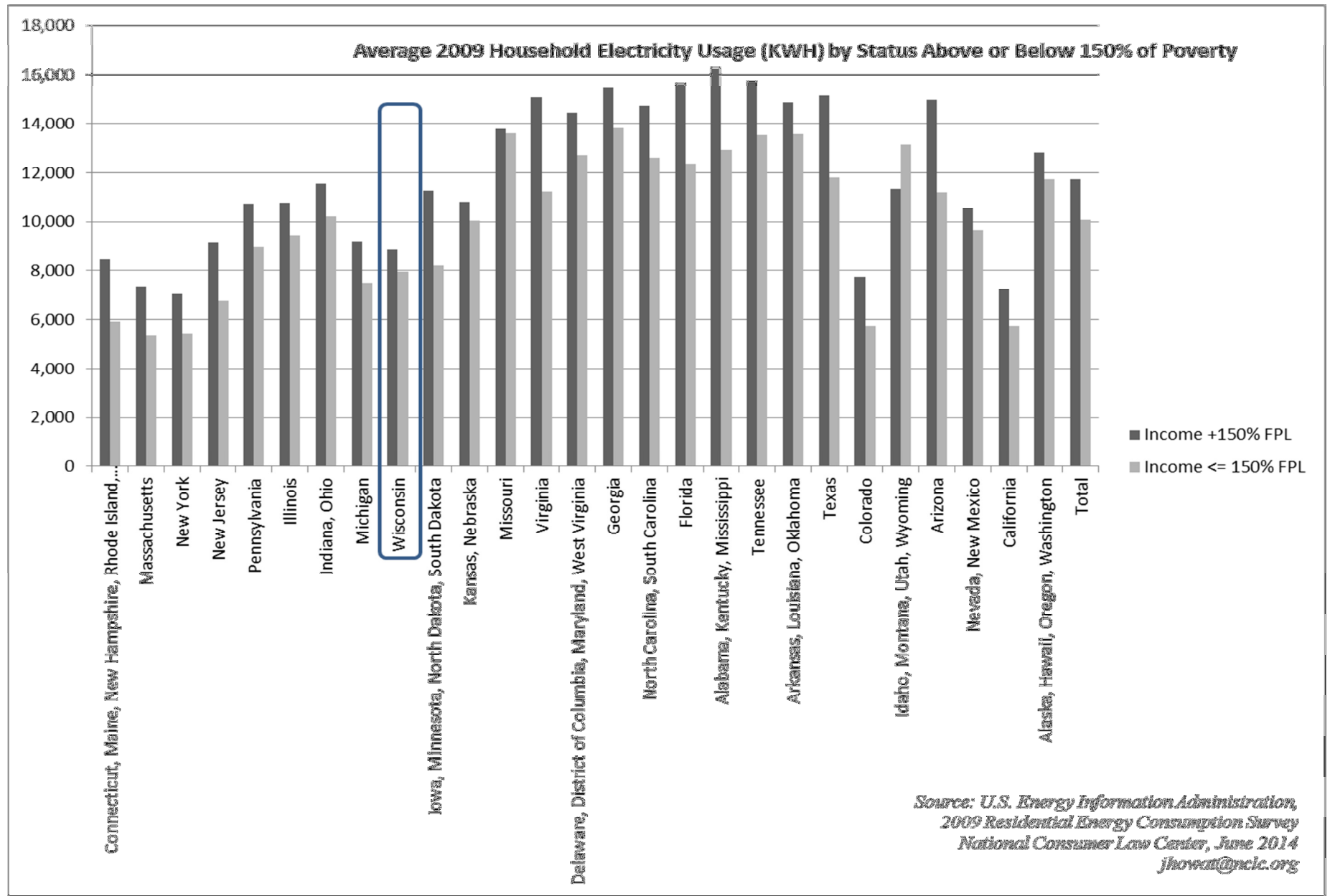


Table 2

| Average 2009 Household Electricity Usage (KWH) by Elder Household* Status                  |                                       |                                     |                |                                                                          |
|--------------------------------------------------------------------------------------------|---------------------------------------|-------------------------------------|----------------|--------------------------------------------------------------------------|
| Energy Information Administration, Residential Energy Consumption Survey Reportable Domain | Elder Status                          |                                     |                | Percentage Difference 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%                                                                   |
| <b>Wisconsin</b>                                                                           | <b>8,943</b>                          | <b>7,554</b>                        | <b>8,672</b>   | <b>-15.5%</b>                                                            |
| 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%                                                                    |
| <b>Total</b>                                                                               | <b>11,726</b>                         | <b>9,810</b>                        | <b>11,320</b>  | <b>-16.3%</b>                                                            |

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

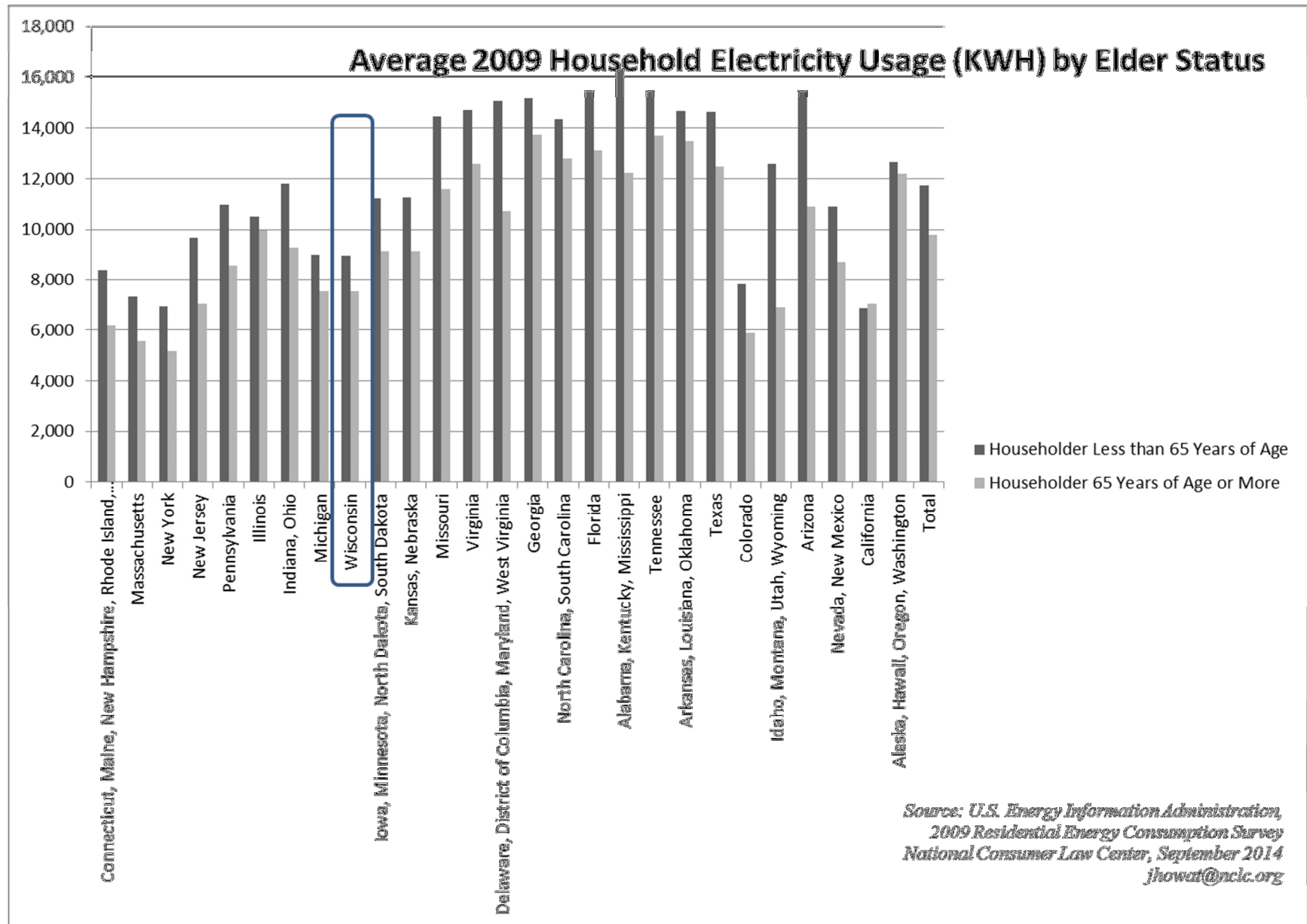




Table 3

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

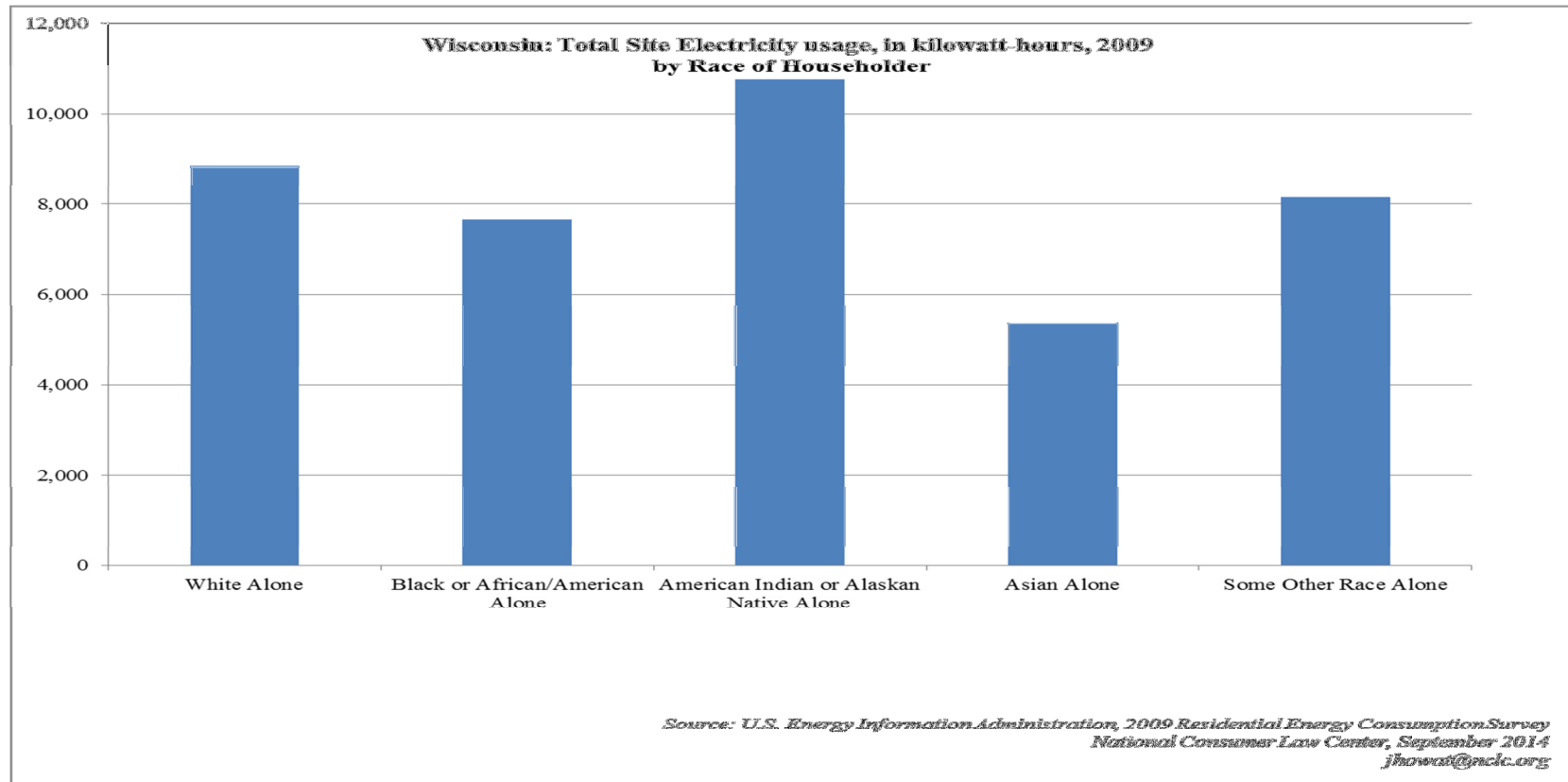
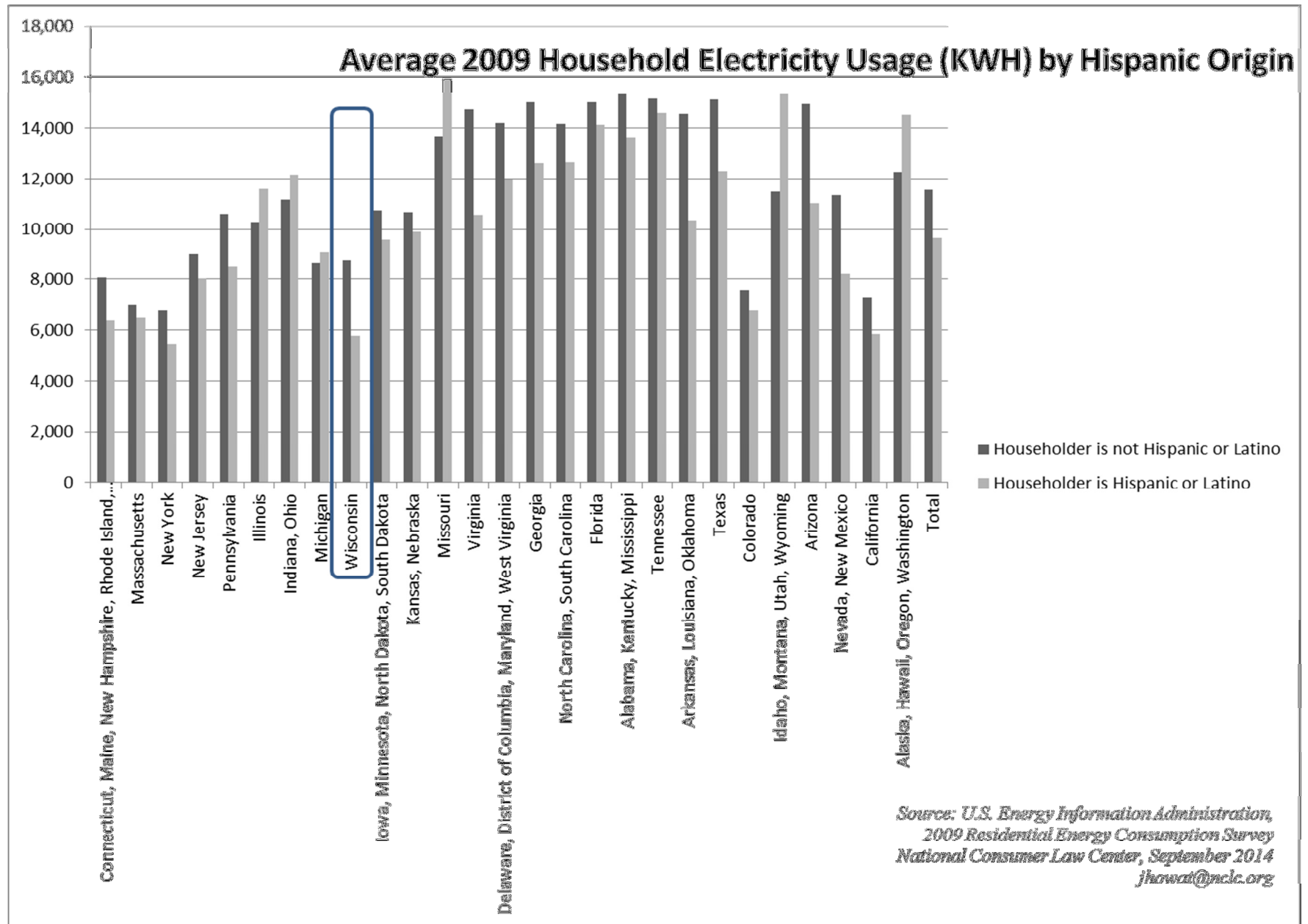


Table 4

| 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 Difference 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%                                                               |
| <b>Wisconsin</b>                                                                           | <b>8,781</b>                          | <b>5,778</b>                      | <b>8,672</b>   | <b>-34.2%</b>                                                      |
| 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%                                                              |
| <b>Total</b>                                                                               | <b>11,568</b>                         | <b>9,638</b>                      | <b>11,320</b>  | <b>-16.7%</b>                                                      |

Source: 2009 EIA Residential Energy Consumption Survey data by "Reportable Domain," National Consumer Law Center, September 2014, jhowat@nclc.org

Figure 4



## **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.<sup>2</sup>

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

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<sup>2</sup> 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](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](http://www.neada.org/publications/Consumer_Protection_Guide.pdf).