

Michael Vickerman

Meeting Notes SASYNA Ad Hoc Committee on MGE Billing Scheme to PSC (7/14)

Attending: Adam Chern Betty Chewning, Melanie Foxcroft; Fritz Hastreiter; Greg Nettleton; Michael Vickerman; Tim Wong (Co-chairs Hastreiter and Chewning)

- Proposed Mission of the Madison Gas and Electric Rate Restructuring Proposal Ad Hoc Committee:
 - To provide the SASYNA Council information and analysis of the MGE proposed billing scheme made to the Public Service Commission
 - To propose recommendations for action to the Council regarding MGE billing scheme
 - To coordinate with other groups responding to the MGE billing scheme

- This is where things are:

MGE filed rate redesign proposal in early June and it has modified proposal twice. We hear it will be modified again, all of which is very unusual. MGE is uncomfortable with the reaction it has received. They hadn't expected this. The proposal was planned internally without input from the community. It seems MGE is now at risk of destroying its carefully crafted green image.

The proposal itself proposes big changes to billing rates in 2015 that will increase bills for most customers, limit their ability to lower bills and penalize clean renewable energy. Every MGE customer will see a higher fixed charge each month coupled with a lower energy rate. For example, the monthly charge for standard residential service would rise from \$10.29 to \$19 (85% increase), while the electricity rate would decline from 14.4 cents/kilowatt hour(kWh) to 13.3 cents/kWh(-8%). Many customers interested in solar are motivated by decreasing their cost of energy use determined by the electricity rate. When that rate goes down (and MGE wants to lower it drastically in coming years having originally proposed lowering it to 3 cents in the winter and 4.5 in the summer) the solar users take MUCH longer period to recoup their investment. If MGE lowers the electricity rate more it will seriously threaten the viability of the solar industry here. The proposed rate restructuring will hit some customers hard including residential customers, apartment dwellers and owners, and small business owners/ commercial customers with a low load factor (ie. don't use lot of electricity). This is in contrast to the large load users who will be helped.

MGE wants more stability and less risk. They want to shift to a higher service fee that doesn't rise and fall with the weather, etc. They don't want people purchasing solar. Hence they are shifting the billing structure to capture more money from a flat customer charge rather than the revenue rate. MGE realized solar owners would be angry so they tried to alleviate this anger through a grandfathering clause which would keep their current agreement for rates as is. However, MGE is sending a signal to the potential solar customers that you proceed at your own risk in purchasing solar. The current solar billing agreements only extend to solar projects that are being implemented through the end of the year Dec. 31st.

- Action being taken:

Repower Madison is a group which has started to organize against the MGE scheme. More will be heard from them.

The Madison City Council has hired a consultant for \$60,000 to represent the city in the rate case to look through the assumptions behind the rate redesign and see where there are problems with it. The city is particularly exposed to the billing schemes and has invested heavily in energy efficiency and owns 130 kilowatts of solar and wants to invest heavily.. (The city already uses solar for the public library, recycling stations, city engineering building, etc.) The Council has a Sustainable Madison Committee. David Ahrens introduced the motion and is on the committee.

The Citizens Utility Board (CUB) has negotiated with MGE and proposed charge changes in residential and small business groups. They are the last group left around to fight the utility rates. CUB will explore mechanisms and schemes as part of the agreement. Maybe something will be worked out so the fixed charge won't be so heavy in 2016, 2017 as MGE proposed, but this will depend on all out action by those of us affected by this scheme.

SASYNA action: SASY along with others can share a letter with not only the PSC but with all public city, county, state representatives and governor. It can also share its information with the other neighborhood associations independently and/or with the help of the planning councils if they are viable to help in some regions. We will gather electronic links to information and organizations to work with and post these. We would like to have a page on the SASYNA web to share our information if the council agrees. We will ask for 30 minutes for our committee featuring Michael, Greg and others at the next SASYNA council meeting.

Proposed language for a start: Dear Alder Marsha (substitute other officials), We hope that the city will defend the interest of residents in the upcoming fight....." We will share a reference guide of who our elected officials are. We will also provide a schedule for rate proceedings. We will want the letters in by Sept. 30. And we will have an opportunity to state opposition in person. SASYNA will need to have a representative (or more than one) at these proceedings to speak in person.

When planning the rate restructuring MGE left out several stake holders including organizations (like cities of Madison, Monona, and Fitchburg as well as environmental energy groups). This needs to be a broader community conversation. MGE has to speak to the communities that have staked out a direction of energy use where customers have more options for saving energy and using clean resources. **That is something SASY Council can support.** As it stands, MGE's second proposal takes away the economic rationale for clean resources and energy conservation. Every organized interest has to be involved in charting the future for electrical supply. There is a space that needs to be filled with MGE's withdrawal of 2016-19 scheme changes. MGE needs to be brought to the table no matter how many times the top executives stamp their feet.

Municipalization is being discussed similar to Boulder. It would take years to accomplish this but it is something that should be on the table. MGE provides energy to 90% of Madison, Monona, Fitchburg and some in Cross Plains.

We need to look at successful states and utilities. A strength in promoting solar use is that solar is producing during the peak times and doesn't produce at night which competes with other strategies. It would be good to compare Madison to Austin (and others with stronger renewable programs). Austin instituted a scheme with the value of solar rates designed to capture solar energy to the grid and priced it fairly and locked in that rate over a 20 year period for owners to be compensated at the same rate. This takes the risk out of solar. Minnesota state just passed such a measure this spring. We have solar net metering vs. surrounding communities (Austin, Boulder, Sacramento). Meanwhile MGE wants to declare that solar is risky starting in 2015. We can use these other successful cities and states as models.

- What are hypotheses about MGE's larger motives for its proposal?

It is hypothesized that MGE's wants customers to pay for its overinvestment in electrical capacity in the last 10 years. We have plants that are not needed that the utilities built and invested our money in. They believe there is too much unpredictability if more people will self-generate and drop out of the system. Hence they want to stop the latter. We actually have people who are starting to buy their electricity from other cheaper systems which is perfectly legal. **MGE currently returns over 10% to its investors per dollar of share.**

If MGE 's scheme is approved it's less risky for MGE from the very fact that emphasizing the fixed rate means you pay a set rate as a customer even if the house is unoccupied. Their long term goal is to put every customer on a demand meter. By inflating customer charge this will move toward that goal. To reach this goal is expensive with more than \$30 million required to swap out the meters we have. One hypothesis is that MGE is not sure that PSC will approve such an expensive move without huge outcry by people. This current rate restructuring strategy will generate an outcry. Perhaps then the PSC would approve the \$30 million investment if enough people are subjected to this plan. So what would a demand meter mean for customers? A draw on utility is measured by demand on grid. Utility will charge for rate for maximum draw in 15 minute period. So the utility would be in control of the information and you would be charged for the maximum rates in any period with little feedback to customers to modify behavior. Meanwhile, the solar industry's survival in our area would be seriously challenged.