

Madison Gas & Electric – Moving our Energy Future Backwards

What do you want Madison's energy future to be? Do you want one with reduced energy use, where we rely on infinite sources of distributed renewable energy such as wind and solar, and we bring our CO₂ down to sustainable levels, or do you want one tied to centralized power plants, a continued reliance on coal and other fossil fuels, and 450 or 500 or more ppm of CO₂?

The latter option is what we're being given by MGE with their rate case proposal before the Wisconsin Public Service Commission (PSC). You may ask, is this for real? Our own green community energy company putting clean energy in reverse! Unfortunately, it is, and MGE is not alone. Two other utilities in Wisconsin, WE Energies and Wisconsin Public Service, also have regressive rate cases before the Public Service Commission that would significantly increase the fee you pay for being connected to the grid before you use any electricity. These proposals would also negatively impact energy efficiency and solar installations and increase energy and fossil fuel use.

The Regressive Billing Scheme

MGE's original proposal was to go from the current \$10.44/mo. connection fee to \$22 in 2015, \$48.66 in 2016 and \$68.36 in 2017 – an increase of over 650%! After discussions with the Sierra Club, Renew Wisconsin and Clean Wisconsin, and later the Citizens Utility Board, MGE backed off on its billing scheme and is now proposing a fixed fee of \$19 for 2015. Beyond that is uncertain, but MGE has shown no indication of altering their course, so future plans may be more veiled than withdrawn. But the proposals would also lower the per kilowatt hour rate you pay for the electricity you use.

The Financial Impacts

Use less, pay more; use more, pay less. If you're a low energy user, conscientiously doing your best and have succeeded in reducing your energy use and carbon footprint, you'll be rewarded with higher utility bills. But if you are careless and waste energy, with incandescent (yikes!) lights on all the time, and have a plethora of high draw energy devices, what's your penalty? Lower energy bills! (Is that the desired incentive we wish for people to reduce their carbon impact?)

Rewarding the rich. Studies consistently show a positive correlation between income and energy use. Not surprising, since those well off often have larger homes and buy more devices that draw power. People with lower incomes often reside in smaller houses or apartments with fewer consumer devices. This group often includes many minorities, split families, students and the elderly. With all the recent reports on disparities in Madison, is this really the direction we want to go?

Efficiency becomes less efficient. Generally, the investment with the fastest payback for reducing energy bills (and CO₂ emissions) is efficiency. But you save less on electricity when the per kilowatt-hour rate goes down, and your return on investment drops. Lighting, one of the most common upgrades businesses do to lower electricity bills, would become less cost effective, encouraging retaining old inefficient fixtures. In homes, replacing energy hogs like old refrigerators would likewise be less cost effective.

Darkening the future of solar. A common solar payback arrangement with utilities is that the customer is compensated for the energy generated at the rate paid for electricity (often called net metering). So when the energy rate drops, so does the payback rate – and the return on investment. Just when solar was becoming increasingly affordable with reasonable payback times, MGE would reverse that trend and increase the payback period.

Giving you more control – while taking it away. The major jump in connection rates proposed for 2016 and 2017 were based on providing smart meters to help you control your use, especially at peak times. These meters are characterized as tools to help you control your rates. However, if a much larger percentage of your bill is fixed and you have no control over, how smart do you have to be to know you'll have more control over less? And if you're already smart, then you've reduced your use already. Even MGE said smart meters won't help those sensible enough to control their bills now. Just how smart is this scheme?

Commercially costly. Base connection rates for businesses would also rise based on their business classification. Within each class, lower electricity users would pay more while the higher end users would pay less. Especially for a small, local startup business with limited office space, if they are connected independently, their costs would go up and could pose a significant burden. Similarly, for businesses who have or want to add solar such as the Willy St Coop or Union Cab, a lowered electric use rate means the payback on solar becomes less attractive. What a sunny idea!

Climate Impacts

The new green is black. MGE bills themselves as a green energy company. Well, that's 12% true. With 25 and 45 year (almost until 2060!) contracts on coal, 88% of MGE's energy comes almost exclusively from fossil fuels, with the vast majority of that from coal. Interestingly, MGE participated in the Madison Sustainability Plan that includes goals of 25% renewable energy by 2025 and 80% CO2 emissions by 2050. MGE (along with other utilities in Wisconsin) has also opposed a higher renewable energy standard.

What's a few degrees among friends? This country wastes a tremendous amount of energy, such as lights being left on when not needed. What's the incentive when the savings might be a dime or a buck? With lowered electricity rates, the incentive will be even less, and will tend to increase energy use, especially among those not concerned with waste. Incentives to replace inefficient devices or perform proper maintenance will also decrease, resulting in more wasted energy. For a company with 7/8 of its energy from fossil fuels, this results in added CO2 emissions. Do we really want to contribute more to climate change?

Why MGE, why?

MGE's rationale. To be fair, MGE is a very small investor owned utility with more overhead and less economies of scale than larger utilities, and they have administrative and capital overhead costs that are not directly tied to per unit prices of electricity, which tends to drive up rates. Climate change is creating added uncertainty regarding future energy use, and investors also want their piece of the pie – and a security future of more pie. And there are those pesky customers who save energy or install solar (very limited so far), and who in time, can cut into MGE's sales in a measurable way. Average energy use is flat or even down, although peak electricity may still be rising, which tends to lead to more overhead and higher rates for peak energy use. There are very real challenges, but what is the fix we want to provide real solutions?

The fix is in. MGE claims low energy users and solar customers are not paying their fair share of fixed costs, including power plants and transmission lines, and want to apportion capital costs more evenly, despite higher energy users increased demand on the system. But rather than rewarding customers who reduced their carbon footprint as the community has asked (and subsidized) them to do, MGE is rewarding those who use more energy. It's a policy that penalizes the poor and reaps riches for, well, the rich. A policy that is callous towards customers, but provides surety for shareholders. MGE said at a Madison Sustainability Committee meeting that they don't set public policy. Perhaps the question to our "community energy company" is, if they believe in it.

Wise choices. What MGE is proposing is choice, not necessity, and in line with actions some other utility companies tied to right wing fossil fuel interests are taking. Utilities know their business models must change, and some are doing so. Others, like MGE, are choosing to hold on for dear life to the old centralized power, fossil fuel business model. Your choice is if you wish to accept a scheme that will unequally burden low and mid income customers, will penalize users who have invested their hard earned dollars in efficiency and solar, raise rates on those who have been environmentally and socially conscious in their actions, and will take away your ability to control your utility bills when you make smart energy choices.

Our utility. Don't we want a utility company that truly is part of this community and our values? To look to the future, isn't a goal to have a utility that will provide us with the service we desire, not the sales they want? A utility that will work cooperatively with us to provide a sustainable future for our community through reduced energy use and clean energy, and we can in turn work with to ensure their sustainability? While business has risks and uncertainties, MGE's billing scheme would instead put lower income customers and clean energy investors at risk, and hasten climate change that will result in a far more uncertain future.

Take Action

1. Sign the Credo petition at <https://www.credomobilize.com/petitions/support-fair-electric-billing-rates-and-the-growth-of-renewable-energy-in-wisconsin> and tell MGE you oppose their assault on clean energy.
2. File comments with the Public Service Commission at <http://psc.wi.gov/apps40/dockets/comment.aspx> , docket number 3270-UR-120, by September 30, 2014
3. Share your comments with local elected officials, MGE executives, and board:
 - Gary Wolter, Chairman, President and CEO - gwolter@mge.com
 - Lynn Hobbie, Senior Vice President - lhobbie@mge.com
 - Scott Neitzel, Senior Vice President - sneitzel@mge.com
 - Kristine Euclide, Vice President and General Counsel - keuclide@mge.com
 - MGE Board of Directors - directors@mgeenergy.com

To further express your concern, write a letter to the editor, and share MGE's plans with friends and community groups. Ask them to also take action and inform MGE and others about the future they want. See the accompanying list for presentations in September, and watch for updates and more information at <http://www.4lakes.org> and <http://www.repowermadison.org>.