MGE’s Billing Scheme Goes in the Wrong Direction
What We Can Do About It

New Rate Design Would Undermine Value of Saving Energy and On-Site Solar

Madison Gas & Electric’s Proposed Billing Scheme
Madison Gas & Electric proposes big changes to billing rates in 2015 that will increase electric 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%), while the electricity rate would decline from 14.4 cents/kilowatt-hour (kWh) to 13.3 cents/kWh (-8%).

Economic Impact from MG&E’s Proposal
If approved, this scheme will inflict the most pain on those customers who use the least energy, and benefit most those who consume more. For residential and small commercial customers, bills would go down for larger users and go up for smaller users. Lower-use customers, such as apartment dwellers, seasonal residents and part-time businesses, will certainly see higher bills next year. For small businesses, many of their customers will have less money to spend. MGE hopes that lower rates will boost 2015 sales and their profits.

Most Residential Customers Will Pay More But Have Fewer Options
The changes proposed for next year will encourage greater consumption — because energy would be cheaper --and discourages customers from investing in energy efficiency and solar power. Cutting energy use or producing your own with solar does not reduce your fixed charges.

MGE Seeks to Make it Worse In 2016 and Beyond
MGE’s original rate filing proposed a $49 fixed charge in 2016 for residential and small commercial service, and another hike in 2017, to nearly $70 per month. At the same time, the utility proposed slashing variable energy rates to levels not seen since 2001. Though MGE has withdrawn its 2016 filings for those customer classes for now, the utility clearly intends to capture more revenue with fixed monthly charges and to boost energy consumption. There is nothing a customer can do, short of disconnection, to lower fixed utility charges.

Environmental Impacts
By weakening the economic rewards for investing in energy efficiency and on-site solar, MGE’s 2015 rates will likely result in higher consumption. Notwithstanding the environmental image it cultivates, MGE is a coal-dependent utility. Fossil fuels account for 88% of the fuels used, and coal is, by far, their dominant fuel. Renewable energy, by contrast, accounts for only 12% of the total. Thus, an increase in consumption will translate into an increase in fossil energy use and its associated emissions. This new billing scheme will hurt efforts by municipalities, school districts, businesses and residents to use energy in an efficient and environmentally responsible manner.

What Are the Motivations Behind MGE’s Actions?
Shifting to higher fixed charges will reduce fluctuations in MGE’s revenues from one month or season to another, as well as shelter their earnings from weather patterns that reduce energy use (e.g., this
summer’s mild weather). However, MGE is clearly joining other utilities who have openly stated a desire to stifle customer use of energy efficiency and solar power, rather than adapt to changing marketplace conditions and ongoing improvements in technology. Their coordinated attack reflects a deep-seated fear over competition and customers taking responsibility to supply themselves their homes and businesses with clean energy.

What’s Not Fair About MG&E’s “Fair Share” Argument?

MG&E contends their proposal will provide a greater “fair share” of costs to all customers and that lower-use customers make the same demand on utility services as higher-use customers. MGE ignores the benefits to the electric system delivered by customers who reduce their peak energy use, whether through energy efficiency and conservation and/or solar generation during peak hours. It also ignores such key variables as household size and dwelling size.

The Opportunity Before Us

Responding to public pressure, MG&E pulled its highly regressive billing scheme for 2016. Next year, MG&E will come back with a new proposal. But the 2015 proposal is the first step in MG&E’s strategy to redefine a future that encourages energy use. Alternately, we strive for a community that encourages energy efficiency and increased use of renewables. How these competing visions are resolved will greatly influence Madison and Dane County’s ability to attract and retain economic actors whose success depends on attaining a lean and clean energy profile.

What Are the Stakes?

The implications of MG&E’s rate filing extend beyond short-term impacts to customer bills. The broad question here is: Will the changes pursued by MG&E advance our community’s sustainability objectives or will they lead us down the path to a riskier and more environmentally undesirable future. With stakes this high, it is imperative that we push this discussion out of the narrow confines of the Public Service Commission and engage local governments and other stakeholders in these matters.

What We Can Do

1) First, go to the Public Comments section in the Public Service Commission’s web site and express your opposition to MG&E’s new billing scheme. The docket number is 3270-UR-120. Comments will be accepted through September 30, 2014.
2) Send copies of your comments to all the elected officials who serve you, from the Governor and your county executive to your city council person or village board trustee.
3) Modify your comments to submit as a letter to the editor of your local newspaper.
4) Please be sure to talk up this critical fight with your friends, acquaintances, neighbors and citizen groups.

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For more information:
http://renewwisconsin.org/action/MGERatecase.html
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