



**Madison Gas and Electric Company**  
P.O. Box 1231  
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your community energy company

July 14, 2014

Alderson Chris Schmidt, President  
City of Madison Common Council  
City-County Building, Room 201  
210 Martin Luther King, Jr. Boulevard  
Madison WI 53703

Subject: Resolution 34565 Relating to Madison Gas and Electric Company's (MGE)  
2015-16 Rate Case Filing

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Dear Alderson Schmidt:

We understand that at tomorrow evening's meeting the Common Council is scheduled to consider a resolution regarding MGE's rate case pending before the Public Service Commission. We write in part to clarify that MGE's proposal has changed.

The City has intervened in our rate case proceeding and we welcome the City's involvement. The rate case proceeding is the appropriate forum and the active participation of various stakeholder groups in the rate case helps ensure that a broad range of views are presented to the PSC on the important issues in the case and should lead to a better overall outcome for the Company and its customers. It is, of course, up to the City to decide the level of its engagement in the proceeding and the particular issues that will be the focus of its involvement.

MGE's rate case proposal has changed and so I'd like to clarify what the Company will ask the PSC to consider for residential customers. The Company's requests for an overall increase of 2.8% in electric rates and a decrease of 2.3% in natural gas rates for 2015 remain the same.

The Company has, however, proposed changes in the structure of our rates so that more of our fixed costs are recovered through fixed rather than variable rate components. Under the Company's current proposal for 2015, the fixed elements of a residential customer's electric bill will increase to \$19 per month, which is about the same on a monthly basis as the Madison Water Utility's fixed charges for residential water service.

We recognize that the proposed increase in the fixed charges will affect different customers differently. MGE is proposing that low-income customers retain the option of staying with the current rate structure that has a lower fixed monthly charge but slightly higher charges for the amount of electricity the customer uses during the month. Similarly, the Company proposes that customers that have invested in their own solar

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installations also retain the option to stay with the current rate structure (adjusted for the overall increase in rates) if that would be advantageous for them.

The Company initially proposed more significant changes in rate design for residential customers for 2015 and 2016. After considering stakeholder feedback, the Company agreed to request a smaller increase in the fixed charges for residential customers for 2015 and to initiate a collaborative process with the Citizens Utility Board to obtain input from other stakeholders and explore the plusses and minuses of alternative rate designs. The work of the collaborative will help shape what MGE proposes for residential electric rates for 2016.

This letter provides a broad overview of the potential impact of MGE's rate proposal on residential customers. Working through the City Attorney's office, we would welcome the opportunity to provide a more detailed analysis of the proposal's impact on different customer groups as well as on individual customers, such as the City, as well as to respond to whatever questions you or other Alders or City officials may have. Thank you for your consideration.

Sincerely,



John A. Sumi  
Legislative Affairs Director

JAS/kjl

cc: Madison Common Council  
City Attorney Michael May  
Madison Mayor Paul Soglin  
Katie Crawley