



Legislation Text

File #: 34565, **Version:** 1

Fiscal Note

This resolution authorizes an amendment of \$60,000 to the 2014 operating budget of the Office of the City Attorney to retain consultants to document and analyze the adverse economic and environmental effects of MG&E's rate design. Funding was adopted in 2014 of \$1,200,000 for the Contingent Reserve and the current uncommitted balance is \$796,387. If this resolution and one other pending resolution (File ID 34576) are approved, the balance in the Contingent Reserve would be \$724,387. There is no net impact on the tax levy.

GN01-54930-024000 \$60,000
GN01-57600-971000 (\$60,000)

Title

Authorizing the City's Intervention in Madison Gas & Electric's 2014 Rate Case Before the Public Service Commission, Authorizing the City to Enter Into a Contract With a Consultant to Assist the City in its Intervention, and Making an Appropriation of \$60,000 from the Contingent Reserve for the Consulting Contract.

Body

WHEREAS, the City Council adopted the Madison Sustainability Plan in 2011 whose goals included a 50% energy reduction by 2030 in part by increasing energy efficiency in private and public buildings and adoption of renewable energy so as to comprise up to 15% of energy use in the city; and,

WHEREAS, in 2013, the City Council launched the Race Equity and Social Justice Initiative that established as one of its three primary goals equity in the community which is explicitly defined as "equitable allocation of resources"; and,

WHEREAS, these two policy initiatives provide a framework for the analysis of the new rate design proposed by Madison Gas and Electric (MGE) to the Public Service Commission (which would take effect in 2015) as it might affect the energy use, prospective energy reduction and equitable allocation of social and economic resources in the City;

WHEREAS, as part of MGE's pending rate case before the Public Service Commission (3270-UR-120), MGE has proposed moving away from the traditional model of utility pricing, used throughout Wisconsin and much of the United States, where most utility and energy costs are recovered by the utility through energy consumption pricing; and,

WHEREAS, MGE's ultimate plan is to move to a rate design where each customer is charged a base customer and grid charge, and also assessed demand charges and energy consumption charges. This change in rate design will lead to a reduction in base energy consumption charges, the end result being that the consumer will have to pay a rate that is not tied directly to their energy usage and much of MGE's costs are recovered through fixed charges; and,

WHEREAS, because MGE's proposal will move its rates toward a system where each customer pays a higher base charge and a lower energy charge, there will be less of a financial incentive for users to make energy efficiency improvements in their properties, renewable energy investments, or reduce their overall energy consumption; and,

WHEREAS, due to these expected effects, the proposed rate design will impair the City's ability to meet its

sustainability goals and possibly affect the financial worthiness of additional solar investment by the City; and,

WHEREAS, the City's entry in the Georgetown University Energy Prize is based on the net decline in electric energy consumption in a community and carries with it a prize of \$5,000,000, which entry would be negatively affected by a rate design that reduces incentives for energy conservation; and,

WHEREAS, low energy usage in residences is highly correlated to household income. For example, in our region about 40% of households with income at or below poverty use less than 5,000 KW/year. In contrast, only 3% of household with incomes of \$100,000 or more use energy at that low level;

WHEREAS, by increasing the base customer charges and decreasing the cost of energy consumption, monthly bills paid by low energy users under the proposed rate design will increase , while the average monthly cost of very high energy users (2500KW/month) will decrease, possibly negatively impacting the equitable allocation of resources in our community and imposing another barrier to overcome in meeting the City's equity goals; and,

WHEREAS, the City Attorney, on the direction of the Mayor, has intervened on behalf of the City in MGE's rate case, the City having until Sept. 9, 2014 to submit any testimony or exhibits to the Public Service Commission for its consideration in MGE's rate case.

NOW THEREFORE BE IT RESOLVED that the potential effects of the MGE rate restructuring proposal are contrary to the goals set forth in the Madison Sustainability Plan and the Race Equity and Social Justice Initiative and would likely result in impeding attainment of the Plan and Initiative goals; and,

BE IT FURTHER RESOLVED that the adverse effects of MGE's proposed rate design will be experienced throughout the community, including by the City as a customer and potential investor in alternative energy sources; and,

BE IT FURTHER RESOLVED that the City Attorney is authorized to represent the City of Madison as an intervenor in MGE's pending rate case before the Public Service Commission (3270-UR-120) and advance interests consistent with the City's stated goals expressed herein;

BE IT FURTHER RESOLVED that the City of Madison hereby appropriates \$60,000 from the Contingent Reserve to the Office of the City Attorney, who shall, in consultation with the Finance Director and the Facilities and Sustainability Manager, use these funds to retain a consultant(s) to document and analyze the adverse economic and environmental effects of MGE's rate design, including analyzing the impact of the rate design on the City itself, and present credible alternatives to the Public Service Commission that are in the City's interest and that are consistent with the goals and objectives of the City's social and environmental policies; and,

BE IT FURTHER RESOLVED that due to the September 9, 2014 deadline from the Public Service Commission, the Common Council authorizes the Mayor and City Clerk to enter into a contract with the consultant(s) retained by the City Attorney for the above noted purposes without a competitive bidding process as provided for under Madison General Ordinances Section 4.26(4)(b); and,

BE IT FINALLY RESOLVED that following the conclusion of the rate case, the City Attorney shall report back to the Common Council the Public Service Commission's order in MGE's rate case, as well as the expenditures made by the City pursuant to the authorization granted in this resolution.