

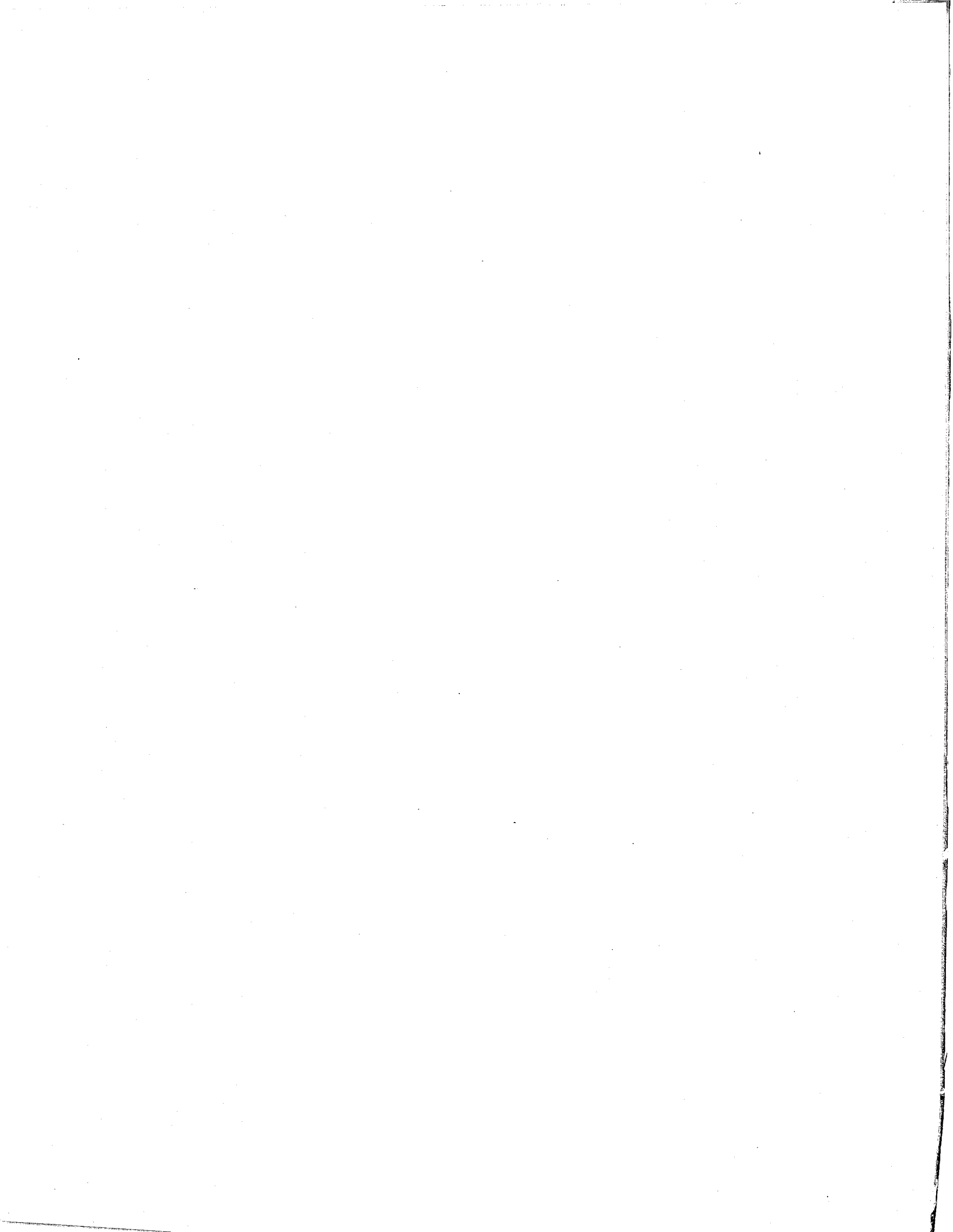


State of Wisconsin

Public Service Commission
of Wisconsin

1999-2001
Biennial Report







Public Service Commission of Wisconsin

Ave M. Bie, Chairperson
Joseph P. Mettner, Commissioner
John H. Farrow, Commissioner

610 North Whitney Way
P.O. Box 7854
Madison, WI 53707-7854

The Honorable Scott R. McCallum, Governor
The Members of the Legislature
The People of Wisconsin

Re: 1999-2001 Public Service Commission of Wisconsin's Biennial Report

I am pleased to present the 1999-2001 Biennial Report of the Public Service Commission of Wisconsin (Commission). The report has been prepared in the prescribed manner and highlights the administrative improvements, decisions, and activities of the agency over the last biennium. I believe the report provides a good summary of the PSC's roles and responsibilities as well as the agency's progress in fulfilling the responsibilities mandated by the Legislature.

It is the intent of the Legislature to make competition the fundamental economic policy of the state. Consequently, over the last two years the Commission continued to initiate and implement policies to rely upon competition where possible rather than regulation to determine the variety, quality, and price of utility services in Wisconsin. The goal is to remove barriers to the development of competition and to spur the development of choices for utility customers.

The 1999-2001 biennium proved to be a critical time for us as regulators to meet critical challenges. The reliability of the electric utility distribution system continues to command considerable attention at the Commission in a number of areas. Wisconsin has made significant strides in modernizing and strengthening its electric system through numerous recent improvements in generation and transmission. Ensuring the ability of the state's electric industry to meet current and future demand for this critical resource will continue to be this Commission's top priority.

The Commission and its staff are prepared to meet the challenges posed by today's utility industries. We welcome the opportunity to create a regulatory environment that is fair, reasonable, and provides adequate consumer protection so that ratepayers benefit and the utility industry succeeds.

I welcome the opportunity to address any comments or questions you may have regarding the information contained in this report.

Sincerely,

Ave M. Bie
Chairperson



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PUBLIC SERVICE COMMISSION MEMBERS

Ave M. Bie
Chairperson

Term Expires March 2005

Joseph P. Mettner
Commissioner

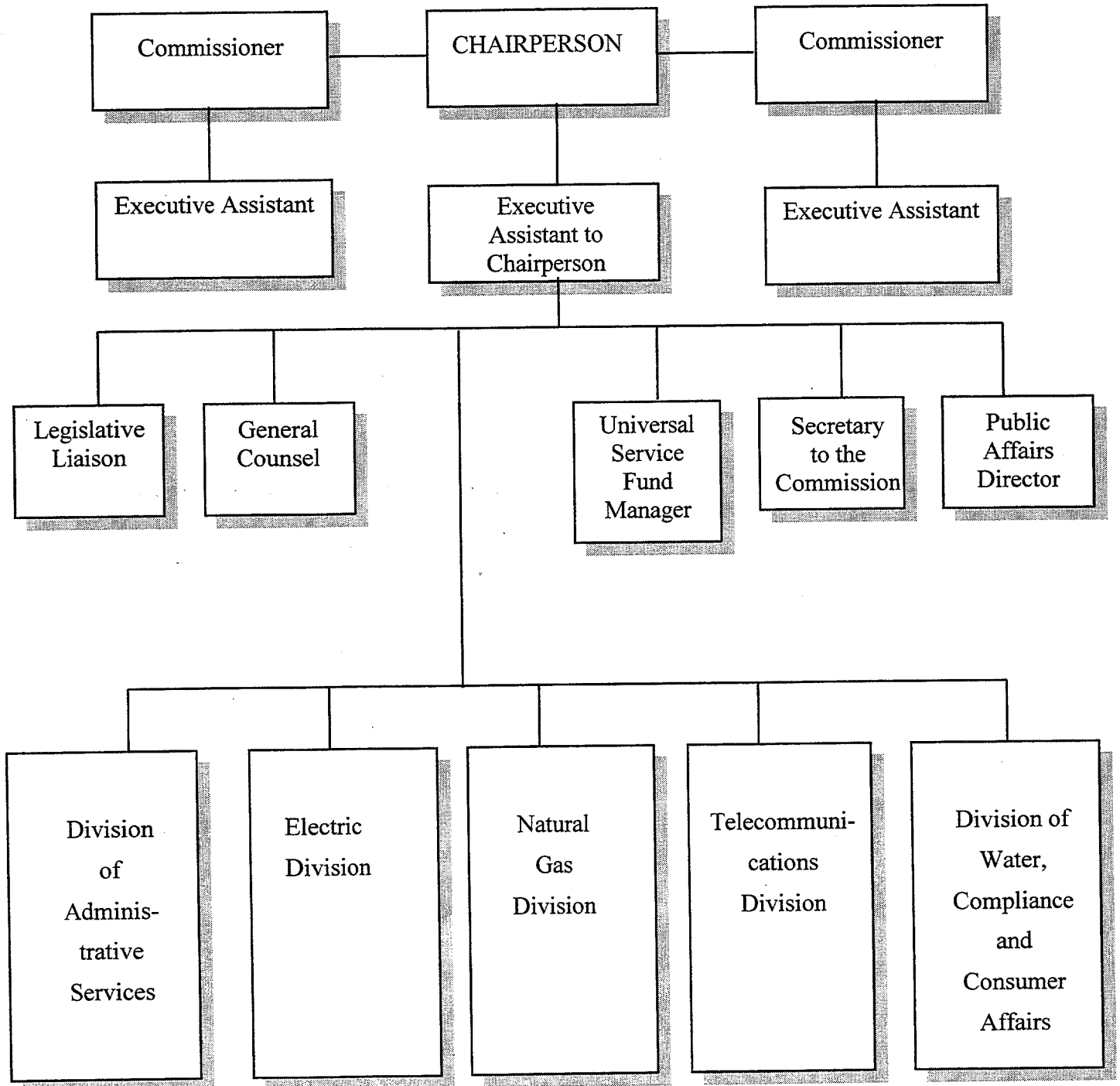
Term Expires March 2003

Robert M. Garvin
Commissioner

Term Expires March 2007

Scott R. Smith
Executive Assistant to the Chairperson

ORGANIZATIONAL CHART



REGULATORY MISSION

The Public Service Commission of Wisconsin (Commission or PSC) is an independent regulatory agency responsible for the regulation of 1,327 Wisconsin public utilities, including those that are municipally owned. The Commission's mission is to ensure that, in the absence of competition, safe, adequate, and reasonably priced service is provided to utility customers.

Set Rates and Services

The Commission sets utility rates and determines levels for adequate and safe service. Other major responsibilities include the approval, rejection, or modification of the utilities' major construction applications (such as power plants and transmission lines), and the approval of utility stock issuance and bond sales. The Commission staff, under the direction of the Commissioners, also conducts special programs such as research on the cost of providing various utility services.

The Commission, which receives its authority and responsibilities from the State Legislature, enjoys a national reputation for its innovative and forward-looking approach to the field of utility regulation.

Jurisdiction

The Public Service Commission's regulatory powers and duties extend to:

95	Electric Utilities (82 municipal)
12	Gas Distribution Utilities
1	Heating Utility
40	Sewer Utilities (combined with water)
84	Telecommunications Utilities
513	Alternative Telecommunications Utilities (ATUs)
582	Water Utilities:
	500 Municipally Owned
	73 Sanitary Districts
	9 Investor-Owned
1,327	Total Utilities

Non-Jurisdiction

In Wisconsin, most activities of the state's 27 electric cooperatives are not under the jurisdiction of the Commission. Furthermore, fuel oil, propane, coal, and gasoline are energy sources not under the Commission's jurisdiction.

* * *



ELECTRIC DIVISION

Arrowhead-Weston

In November 1999, the Wisconsin Public Service Corporation (WPSC) and Minnesota Power Company (MP) jointly filed an application for authority to build and operate an approximately 240-mile, high-capacity, 345,000-volt (345 kilovolt (kV) transmission line to connect MP's Arrowhead Substation near Duluth, Minnesota, to WPSC's Weston Substation near Wausau, Wisconsin. The application also proposed a new substation near Tripoli, Wisconsin, and a 40-mile 115 kV line from Tripoli to Rhinelander, Wisconsin. American Transmission Company (ATC) applied to the PSC and was granted co-applicant status in the case in June 2001.

After months of technical review by Commission staff, the PSC issued an 800-page Final Environmental Impact Statement in October 2000. Public hearings were held in November and December 2000, in Rhinelander, Tomahawk, Abbotsford, Wausau, Superior, Hayward, and Ladysmith, Wisconsin. In addition, technical hearings were held in Madison, Wisconsin, in January and February 2001. Together, 29 days of public and technical hearings developed 9,680 pages of transcript and 383 exhibits from which the Commission must make its decision. Besides the applicants, 32 full parties participated in this case.

The project applicants state that the 345 kV line is needed to strengthen the bulk transmission system by providing a second high-capacity connection across the Wisconsin-Minnesota transmission interface and that the 115 kV line would provide needed electrical support for the Rhinelander area. Under Wis. Stat. § 196.491(3)(d)(2), the Commission must

determine whether the proposed facilities satisfy the reasonable needs of the public for an adequate supply of electricity. In addition to considering the need for the proposed lines, the Commission will weigh and balance other statutory factors such as safety, reliability, environmental impact, individual hardships, alternative sources of energy (including conservation and alternative fuels) and engineering and economic factors in making its decision.

As of June 30, 2001, a decision regarding this matter is pending.

Badger Gen

On November 22, 2000, the Commission issued a Certificate of Public Convenience and Necessity (CPCN) to Badger Generating Company, LLC (BadgerGen), a subsidiary of PG&E National Energy Group, to build a new 1,050 megawatt (MW) natural gas-fired combined cycle power plant. This was the first Commission order to build a true merchant power plant as recently defined in Wis. Stat. § 196.491(1)(w). The plant will be located in the village of Pleasant Prairie in Kenosha County.

Because of changes in the equipment and design of the plant, the company sought and received an Amended Order on March 8, 2001. Although the Commission issued an Environmental Impact Statement (EIS) as part of the first review, no supplemental environmental document was necessary for the Amended Order review. Badger Gen created development agreements with the village of Pleasant Prairie that addressed both the original project and the amended design. BadgerGen has not yet begun construction on the plant.

Other Pending Generating Plant Applications

Fox Energy Company, LLC

Fox Energy Company, LLC, (Fox Energy) filed an application on October 25, 2000, to construct a merchant plant in Outagamie County. The proposed plant is a natural gas-fired combined cycle plant with a nominal capacity of 530 MW and a peaking capacity of 635 MW.

In March 2001, Fox Energy and the ATC amended the application to include the ATC as a co-applicant responsible for building and operating the proposed electric transmission interconnection.

Commission staff issued a draft Environmental Impact Statement (DEIS) in March 2001. Commission staff sought an extension of the 180-day review period on April 13, 2001. The extension was granted and the review period now ends on November 20, 2001.

Recently Fox Energy found that its proposed water use from the Fox River for the power plant cooling might not be feasible due to poly-chlorinated-biphenyls contamination. Fox Energy is investigating other water supply sources.

Wisconsin Power Projects, LLC

Wisconsin Power Projects, LLC, (Wisconsin Power) applied on February 2, 2001, to construct and place in operation a simple cycle combustion turbine electric generation plant. The plant's seven Twin Pac gas turbine generator units would provide a total net plant output of 375 MW. This plant is proposed to be located on either a 23.9-acre site in the city of New Berlin or a 24.4-acre site in the city of Muskego. On March 22, 2001, the Commission deemed the February application incomplete. A complete application has not yet been filed.

Mirant Portage County, LLC

Mirant Portage County, LLC, (Mirant), a wholesale merchant power plant developer, and ATC, an electric transmission company, filed on May 4, 2001, a construction application with the PSC to build a large electric generating facility and associated high voltage electric transmission, natural gas, and water facilities in Portage County.

Two alternative sites have been proposed by Mirant along Highway 54: the Hayes Avenue Site and the Grant Avenue Site. The Hayes Avenue Site is a 54-acre parcel located in the town of Plover. The Grant Avenue Site is a 32-acre parcel located approximately two miles east-northeast of the Hayes Avenue Site.

As proposed by Mirant, both alternative sites would hold two natural gas-fired combustion turbines with heat recovery steam generators and steam turbines capable of producing 590 MW of power. The larger Hayes Avenue Site would also include four 85 MW combustion turbines.

On June 4, 2001, the Commission found Mirant and ATC's construction application to be incomplete because it did not meet all the CPCN application standards.

Mirant and ATC are currently working to supplement their CPCN filing to meet the completeness requirements.

Calpine Fond du Lac Corporation

Calpine Fond du Lac Corporation (Calpine) submitted an engineering plan on January 19, 2001, for the Fond du Lac Energy Center to the Department of Natural Resources and the PSC. Calpine filed a CPCN application with the PSC on June 18, 2001. Calpine proposed to construct an electric generating facility in the town of Fond du Lac, southwest of the city of Fond du Lac. The proposed facility is a 523 MW

natural gas-fired combined cycle power plant. The natural gas would be supplied by ANR Pipeline Company (ANR). Water supply and effluent discharge services would be supplied by the city of Fond du Lac.

Rock River Energy, LLC

Rock River Energy, LLC, (Rock River Energy), an affiliate of Calpine, filed a draft CPCN application on June 1, 2001. Rock River Energy proposes to construct and operate the Riverside Energy Center (Riverside) at one of two sites in Rock County, Wisconsin. Both sites are located on the property of the Alliant-Wisconsin Power and Light (Alliant-WP&L) Rock River Generating Station in the town of Beloit. The facility, as set out in the draft filing would be a 460 MW natural gas-fired combined cycle electric power plant with approximately 190 MW of additional peaking capacity through duct firing and steam injection.

Riverside was proposed in response to the April 25, 2000, Request for Proposal (RFP), issued by Alliant-WP&L to build a new gas-fired 500 to 600 MW power plant project to be located in Wisconsin. After an evaluation of the proposals received in response to the RFP, Alliant-WP&L initiated discussions with SkyGen Energy, LLC, a subsidiary of Calpine, for an agreement to purchase power from Riverside. These discussions resulted in the execution of a Letter of Intent dated November 8, 2000, outlining the terms of a definitive agreement between Alliant-WP&L and Rock River Energy. Under the agreement, Rock River Energy will own the Riverside Energy Center, and Alliant-WP&L will purchase dispatch rights to the first 453 MW of electrical output of the facility. During the ten-year term of the

agreement, Alliant-WP&L will also manage the purchase and delivery of fuel for the generation of this electrical output. A final application has not been received.

Renewable Energy

1997 Wisconsin Act 204 required that the four eastern Wisconsin utilities add a total of 50 MW of renewable energy capacity by December 31, 2000. The Commission extended the deadline for Wisconsin Power and Light Company (WP&L) and Wisconsin Electric Power Company (WEPCO) to June 30, 2001. The four utilities reported a total of 65.7 MW of new renewable capacity on line by the June 30, 2001, deadline:

Wisconsin Public Service Corporation

9.2 MW of wind, Kewaunee County

Madison Gas and Electric Company

11.4 MW of wind, Kewaunee County

Wisconsin Power and Light Company

6.5 MW biomass – wood fiber from paper mill sludge, Neenah, Wisconsin

2.4 MW biomass – Berlin landfill gas project

4.5 MW of wind – Badger Windpower LLC, Iowa County

Wisconsin Electric Power Company

1.13 MW landfill gas – Waste Management, Inc. (WMI) at Omega Hills Landfill, Germantown, Wisconsin

3.28 MW landfill gas – WMI at Metro Landfill, Franklin, Wisconsin

3.28 MW landfill gas – WMI at Pheasant Run Landfill, Bristol, Wisconsin

25.5 MW of wind – Badger
Windpower, LLC, Iowa County

1999 Wisconsin Act 9 established a Renewable Portfolio Standard (RPS) that requires every electric provider in the state of Wisconsin to increase its percentage of electricity from renewables to 2.2 percent by 2011. The Commission has promulgated rules that establish a trading system of Renewable Resource Credits associated with the RPS.

In addition, WEPCO, Madison Gas and Electric Company (MGE), and WP&L all offer green-pricing programs that allow their customers to support renewable energy by paying a premium for renewably generated electric energy.

Power the Future-2

On February 23, 2001, WEPCO submitted a petition for a declaratory ruling seeking several determinations regarding its "Power the Future-2" (PTF-2) proposal. In its PTF-2 petition, WEPCO is proposing to form a non-utility generation affiliate that will construct 2,800 MW of new generation over the next ten years, consisting of 1,800 MW of base-load, coal-fired generation as well as 1,000 MW of natural gas-fired, combined cycle generation. The new generation affiliate would construct and own the PTF-2 generation, but it would be operated by WEPCO. In addition, WEPCO's PTF-2 proposal includes a provision that capital additions to WEPCO's existing generation over a certain cost threshold would also be constructed and owned by the new generation affiliate and would be subject to the new regulatory mechanism that WEPCO sets forth in its petition.

The new regulatory mechanism involves a lease between the non-utility generation affiliate and WEPCO for use of

the PTF-2 assets. The PTF-2 proposal provides that the Brownfield sites at Port Washington and Oak Creek be transferred from WEPCO to the new generation affiliate at book value. WEPCO's PTF-2 plan also proposes that 20 percent of the new generation be made available for ownership interests by mid-sized Wisconsin energy providers and long-term power purchases by others.

The Commission held a hearing regarding WEPCO's petition in June 2001 to consider the items for which WEPCO is seeking a declaratory ruling. WEPCO is seeking a Commission determination that it is prudent for WEPCO to proceed with development of the PTF-2 project and related determinations that give WEPCO some assurance that any expenditures it makes in the development of this project prior to receipt of Commission approval to proceed with the project could be recovered from ratepayers. As of June 30, 2001, a decision regarding this matter is pending.

American Transmission Company Formation

1999 Wisconsin Act 9 provided a statutory framework for the formation of a single-purpose transmission company with the sole responsibility for planning, constructing, operating, maintaining, and expanding the transmission system in the areas that it serves. In December 2000, the Commission approved an application by four investor-owned electric utilities (WEPCO, MGE, WP&L, WPSC), and Wisconsin Public Power, Inc., (WPPI), a consortium of municipal utilities, to form the American Transmission Company (ATC). The new transmission company began operations on January 1, 2001.

In June 2001, 18 municipal electric utilities, distribution cooperatives, an investor-owned utility from Wisconsin, and

the Upper Peninsula of Michigan contributed transmission facilities or made cash contributions and became members of the ATC.

The ATC now provides transmission service in all of eastern Wisconsin, Michigan's Upper Peninsula, and a small portion of northern Illinois. It owns approximately 8,600 miles of transmission lines and 98 substations with a total value of approximately \$550 million.

Market-Based Electric Tariffs and Individual Contracts

1999 Wisconsin Act 9 created Wis. Stat. § 196.192 that required electric utilities to develop rates that allow customers to receive market-based compensation when customers voluntarily reduce their electric consumption during peak periods. The new statute also required utilities to provide options for customers to enter into individual contracts that allow customers to take market risks and receive market benefits for purchases of electricity. The Commission approved these rate filings in the spring of 2000.

Market Power Report/Tabors Study

1999 Wisconsin Act 9 created Wis. Stat. § 196.025(5)(ar) directing the Commission to "contract with an expert consultant in economics to conduct a study on the potential for horizontal market power, including the horizontal market power of electric generators, to frustrate the creation of an effectively competitive retail electricity market in this state and to make recommendations on measures to eliminate such market power on a sustainable basis." On February 15, 2000, the Commission issued a RFP to select the expert consultant. On March 22, 2000, responses to the RFP

were received; and on April 24, 2000, the Commission awarded a \$149,800 contract to Tabors, Caramanis and Associates (TCA) of Cambridge, Massachusetts, to conduct the study. At the Commission's open meeting on October 31, 2000, TCA presented its findings, and on November 2, 2000, the final report was delivered to the Commission and made available to the public. The TCA Study provided these conclusions:

1. Potential exists for the exercise of horizontal market power by generation owners within the Wisconsin Upper Michigan System (WUMS) because of the highly concentrated ownership of electric generation. This potential is greatest under existing transmission limitations, but the potential remains even after transmission import capacity is assumed to increase to 3,000 MW.

2. WEPCO has the largest market share in all relevant geographic and product markets within WUMS. WEPCO's share of deliverable generating capacity ranges between 30 and 60 percent.

3. Under the current ownership structure, the level of horizontal market power in the WUMS region would prevent the creation of an effectively competitive retail electricity market. The presence of horizontal market power in WUMS would lead to electricity prices that would be 40 to 60 percent higher in the 2001 to 2003 period and almost 20 percent higher in the 2004 to 2007 period. These higher electricity prices would translate into 30 to 80 percent increases in utility profits for the 2001 to 2003 period and 10 to 30 percent increases in utility profits during the 2004 to 2007 period.

4. A workably competitive retail electricity market could be achieved by implementing two changes to the current market structure; the divestiture of WEPCO generation assets among three independent companies and the requirement that owners

of existing generation commit a significant portion of their capacity under fixed price contracts or standard offer service. Under such circumstances, electricity rates would be significantly lower than would prevail if market power were not mitigated.

5. Workably competitive retail markets would not result in stranded costs, but instead would result in \$3.22 billion in stranded benefits. In Wisconsin, the market value of electric generating plants could be 2.7 times their net book value.

6. Workably competitive retail markets should not have adverse effects on employees of existing generating units since those units will remain profitable.

7. 1997 Wisconsin Act 204 that allows the entry of independent power producers and wholesale merchant power plants into Wisconsin assists in the reduction of horizontal market power, but such entry is not sufficient to discipline incumbent generation owners from exercising horizontal market power.

In its Report to the Legislature on Horizontal Market Power in Wisconsin Electricity Markets, issued December 2000, the Commission forwarded the Tabors Study indicating that it provides a useful starting point for the analysis of potential horizontal market power problems in Wisconsin. The Commission further indicated that the primary focus should be on taking the necessary steps to get the requisite new infrastructure in place to ensure continued electric system reliability and low electricity prices in the state.

Distributed Generation Report

A report to the Legislature on the Development of Distributed Electric Generation in the state of Wisconsin was completed in December 2000. The report covers small-scale, high-efficiency

distributed generation (DG) technologies such as photovoltaic, wind power, fuel cells, micro turbines, and small internal combustion powered generators.

The report and its recommendation are based on a survey of stakeholders, comments from other states, extensive literature research, seminars, and input from the Wisconsin Department of Administration's (DOA) Energy Bureau, Wisconsin Department of Natural Resources (DNR), and Wisconsin Department of Revenue (DOR).

The report stated that disincentives may exist for the growth of DG in Wisconsin in the form of complex rules and practices imposed on small, non-utility owned DG and the establishment of a stakeholder collaborative group to develop a set of streamlined rules and contract provisions would provide an incentive for properly sited, small-scale DG. The report further recommends that statewide interconnection standards be consistent with national standards developed by the Institute of Electrical and Electronics Engineers, Universal Laboratories, and the National Environmental Policy Act.

PSC 4

In April 2000, the Commission issued an order revising Wis. Admin. Code ch. PSC 4 to reflect recent changes in the electric industry, advances in generation technologies resulting in cleaner, less damaging power plants, and an increase in the Commission's knowledge of and experience with assessing the environmental impact of various generation technologies and transmission projects. The proposed changes generally fell into one of the following categories: (1) procedural changes designed to focus the purpose and preparation of an environmental assessment on the determination of need for an

Environmental Impact Statement; (2) procedural changes to receive public input at optimal times during the review process; (3) changes to the Type I, II, and III¹ lists of proposed actions that base the level of environmental review required on the potential for significant impacts rather than on arbitrary thresholds, such as facility size; and (4) changes to clarify procedures or responsibilities that were unclear in the former rule. The rule revision took effect on July 1, 2000.

Strategic Energy Assessment

The first Strategic Energy Assessment (SEA), for the period January 1, 2001, through December 31, 2002, was issued in final form on December 18, 2000. The biennial SEA is the successor to the Advance Plan. The purpose of the SEA is to evaluate the adequacy and reliability of the state's current and future electrical supply. Under Wis. Stat. § 196.491(2)(a), the SEA must:

1. Identify and describe all large electric generating facilities on which an electric utility or merchant plant developer plans to commence construction within three years; all high-voltage transmission lines on which an electric utility plans to commence construction within three years; any plans for assuring that there is an adequate ability to transfer electric power into eastern Wisconsin, and the state as a whole, in a

¹ PSC Chapter 4 contains three tables that categorize proposed actions based on their expected level of environmental impact. Different environmental review processes are associated with each of the project types. Proposed actions that require the preparation of an EIS are in the Type I list, s. PSC 4.10(1), Table 1. Proposed actions that require the preparation of an EA to determine whether an EIS is necessary are in the Type II list, s. PSC 4.10(2), Table 2. Proposed actions that normally do not require either an EA or an EIS are in the Type III list, s. PSC 4.10(3), Table 3.

reliable manner; the projected demand for electric energy and the basis for determining the projected demand; activities to discourage inefficient and excessive power use; and existing and planned generation facilities that use renewable energy sources.

2. Assess the adequacy and reliability of purchased generation capacity and energy to serve the needs of the public; the extent to which the regional bulk-power market is contributing to the adequacy and reliability of the state's electrical supply; the extent to which effective competition is contributing to a reliable, low-cost, and environmentally sound source of electricity for the public; and whether sufficient electric capacity and energy will be available to the public at a reasonable price.

3. Consider the public interest in economic development, public health and safety, protection of the environment, and diversification of sources of energy supplies.

The following assessments were made subject to qualifications: from a macro-economic statewide perspective, the regional bulk power market has and is expected to generally provide an adequate and reliable source of capacity and energy to meet the needs of the public; generally there has been and is expected to be an adequate and reliable source of purchased capacity and energy on a macroeconomic statewide basis to meet the needs of the public; competitive markets are contributing to a reliable, low-cost, and environmentally sound source of electricity for the public; and sufficient electric capacity and energy will be available to the public at a reasonable price. The full SEA is available on the PSC's website at <http://www.psc.state.wi.us/cases/sea/index.htm>. The draft of the second SEA will be available for public comment by July 1, 2002.

Stray Voltage

Wisconsin Rural Electric Power Services (REPS) provides a stray voltage (SV) analysis team as a public resource to investigate and help to resolve SV concerns on Wisconsin dairy farms. The team also conducts SV training seminars as part of its on-going effort to educate and help increase the proper understanding of SV issues.

Some of the accomplishments of the REPS team over the past year are:

1. Conducted three SV investigator training courses.
2. Worked on new farm rewiring programs for WPSC and WP&L.
3. Gave a presentation on the program to the Pennsylvania Grange and the joint Pennsylvania Legislative Agriculture Committee.
4. Participated in Rural Energy Management Council meetings.
5. Spoke to the Wisconsin Assembly Agriculture Committee.
6. Enabled the electric cooperatives of Wisconsin to add data to the utility SV data base.
7. Provided testimony in SV litigation.
8. Participated in the new research at the University of Wisconsin for the study of ground currents.
9. Conducted several dozen farm SV investigations.

Public Benefits

In 1998, a pilot project for the non-utility delivery of energy efficiency program was established through a cooperative effort between the PSC, WPSC, and DOA. In this "Wisconsin Focus on Energy" energy efficiency pilot, DOA facilitated the delivery of a major portion of WPSC's energy efficiency programs that the PSC would otherwise have required WPSC to implement. This pilot program tested the feasibility of a state-sponsored, utility-funded energy efficiency program.

1999 Wisconsin Act 9, building on the knowledge gained from this pilot program, mandated that DOA create a statewide "Wisconsin Focus on Energy" energy efficiency program. Funding mechanisms established by the legislation include the transfer of funds from Wisconsin Class A, investor-owned, energy utilities to the DOA equal to the amount the utilities spent for public benefits programs during 1998. As part of that process, the PSC was required to determine the amount that each utility spent in 1998 on defined categories of public benefits programs. On August 17, 2000, the PSC established the amount that each utility spent in 1998 on programs for low-income assistance, energy conservation and efficiency, environmental research and development, and renewable resources. In an effort to provide an orderly transition to public benefits, the PSC, on January 4, 2001, established the amount and schedule of transfer of monies by each utility for each year of the transition period. This transition began in 2000 and will be completed January 1, 2003. The PSC continues to monitor the expenditure of public benefits retained by the utilities through this transition period.

Public Service Commission of Wisconsin

Electric Rate Cases - Investor-Owned Utilities

Utility	Docket	Type of Rate Case ^{Note 1}	Dollars Requested	Dollars Granted	Final Order	Percent Change
MGE	3270-UR-109	Fuel Surcharge (8-28-99 thru 12-31-99)	\$ 3,042,000	\$ 5,899,000	8-28-99	3.40
MGE	3270-UR-109		11,945,000	9,712,000	12-01-99	5.50
MGE	3270-UR-110		7,549,000	9,550,000	12-22-00	3.90
MGE	3270-UR-110	Fuel Surcharge	5,375,191	4,575,270	5-08-01	2.66
NSP	4220-UR-111	Fuel Surcharge	12,047,890	9,578,893	5-02-00	3.10
NSP	4220-UR-111	Interim Fuel Surcharge	12,626,197	10,945,558	6-28-01	3.40
NWEC	4280-ER-103		1,257,306	367,256	6-29-01	2.99
WEPCO	6630-UR-111	Interim Increase (4-11-00 thru 12-31-00)	46,000,000	25,199,000	4-11-00	1.70
WEPCO	6630-UR-111	Final Increase	46,000,000	36,538,000	8-30-00	2.50
WEPCO	6630-UR-111		29,000,000	27,521,000	12-22-00	1.80
WEPCO	6630-UR-111	Interim Fuel Surcharge (2-8-01 thru 5-2-01)	51,400,000	37,849,000	2-08-01	NA
WEPCO	6630-UR-111	Final Fuel Surcharge	62,500,000	58,724,000	5-03-01	NA
WP&L	6680-UR-110	Y2K Temporary Surcharge (Effective for 1 year, from 5-1-00 thru 4-30-01)	16,121,000	5,035,000	11-08-99	1.10
WP&L	6680-UR-110	Fuel Surcharge	27,300,000	16,460,000	5-04-00	NA
WP&L	6680-UR-110	Interim Fuel Surcharge (2-8-01 thru 6-19-01)	72,500,000	46,398,000	2-08-01	NA
WP&L	6680-UR-110	Final Fuel Surcharge	72,500,000	57,757,000	6-19-01	NA
WPSC	6690-UR-112		44,100,000	27,192,000	1-01-01	5.40

- MGE - Madison Gas and Electric Company
- NSP - Northern States Power Company (d/b/a Xcel Energy)
- NWEC - Northwestern Wisconsin Electric Company
- WEPCO - Wisconsin Electric Power Company
- WP&L - Wisconsin Power and Light Company (d/b/a Alliant Energy)
- WPSC - Wisconsin Public Service Corporation

Note 1 - All cases listed above are full electric rate cases, if not otherwise specified.

Electric Rate Cases - Municipally-Owned Utilities

Utility	Docket	Dollars Requested	Dollars Granted	Final Order	Percent Change
Barron	0380-ER-101	\$107,369	\$113,669	7-14-00	3.34
Black Earth	0530-ER-102	154,808	154,808	7-13-99	17.30
Bloomer	0580-ER-103	294,461	294,461	8-17-99	13.40
Cadott	0890-ER-102	59,501	68,576	10-18-00	9.60
Cashton	0970-ER-101	34,901	34,901	3-13-01	9.10
Cedarburg	1000-ER-103	311,809	311,809	5-26-00	4.50
Clintonville	1200-ER-103	117,578	141,698	12-10-99	3.30
Columbus	1300-ER-104	176,144	176,144	4-28-00	6.30
Cornell	1370-ER-101	36,292	34,499	10-08-99	5.20
Cuba City	1470-ER-101	73,924	73,924	12-20-00	8.30
Elroy	1850-ER-102	229,830	229,830	5-17-01	25.20
Fennimore	1980-ER-103	231,414	231,414	1-14-00	15.30
Florence	2000-ER-103	50,444	50,444	10-15-99	5.30
Gresham	2400-ER-101	131,116	131,116	10-15-99	12.00
Hartford	2470-ER-103	485,677	485,677	4-28-00	4.90
Hazel Green	2510-ER-101	28,421	28,421	1-13-00	6.86
Hustisford	2650-ER-103	44,993	31,524	12-10-99	2.55
Juneau	2790-ER-102	66,235	66,235	12-06-00	4.00
Lodi	3160-ER-102	76,011	66,923	12-30-99	4.30
Lodi	3160-ER-103	69,336	69,336	5-21-01	4.09
Mount Horeb	3930-ER-102	107,383	107,383	4-28-00	4.70
New Holstein	4110-ER-105	133,890	133,890	10-26-99	3.70
New Lisbon	4120-ER-101	148,959	226,355	2-06-01	27.10
New London	4130-ER-104	293,849	293,849	11-09-00	3.50
Pardeeville	4530-ER-102	61,236	61,236	3-24-00	6.10
Princeton	4880-ER-102	24,290	18,896	1-11-01	2.70
Shawano	5350-ER-103	153,146	153,146	8-18-00	1.40
Waunakee	6260-ER-103	447,626	447,626	6-04-01	8.96
Waupun	6290-ER-104	229,162	229,162	11-05-99	4.88
Westby	6400-ER-101	148,206	148,206	1-12-01	12.80
Whitehall	6490-ER-102	80,825	49,611	7-14-00	3.00





NATURAL GAS DIVISION

Rate Innovations

Madison Gas & Electric Company's Fixed Gas Rate Service Pilot

During the 1991-2001 biennium, the Commission worked with the utilities to develop additional options for natural gas customers. Madison Gas and Electric Company (MGE) Fixed Gas Rate Service Pilot is an example of just such an option. Gas utility rates typically reflect the market price of natural gas, which can be volatile. The winter gas price spikes of 2000-2001, accompanied by colder than normal temperatures, resulted in abnormally high bills for natural gas customers.

In response to the volatile pricing of natural gas, the Commission allowed MGE to initiate a pilot program to provide natural gas at a fixed rate to a limited number of residential customers and small-to-medium commercial customers for the winter months, November 1, 2001, to March 31, 2002.

MGE's pilot program is unique among Wisconsin's utilities. The fixed-price rate eliminates the spikes and troughs of market prices, protecting the ratepayers from adverse and sometimes extraordinary price spikes, and providing a reasonable expectation of the next gas bill. However, given that market prices can go down as well as up, there is no assurance that it will result in a lower gas bill. This is a risk assumed by the ratepayers subscribing to the service.

Wisconsin Gas Company's "Gas Advantage" Pilot

On April 25, 2001, Wisconsin Gas Company (WGC) applied for, and later received, authorization to discontinue its "Gas Advantage" pilot. This pilot had allowed customers to choose their own gas suppliers and to receive this service on a non-telemetered basis. Begun in 1996, as one of the first pilots in the nation to look at providing residential customers with gas buying options similar to those of the larger industrial customers, the service offering was only available in a limited geographical area and to a limited number of customers. WGC proposed to close the program citing lack of interest on the part of both marketers and customers, the program included a substantial subsidy to participating customers, and that the company had gained the desired knowledge regarding these customers and non-telemetered service.

The Commission approved the company's request to close the program effective October 31, 2001.

Madison Gas and Electric Company's Comprehensive Balancing Service

This program was offered by MGE to its medium-sized commercial customers. It gave these customers the option of choosing their own gas supplier, using utility-assigned capacity to transport the supplies. The Commission authorized the closing of the

program in 2001 for several reasons. Customer participation had declined, many using it as a transition to regular transportation services that allowed them to avoid any waiting period for leaving utility service. Also, marketers questioned the viability of the program because of the requirement that they take utility capacity. The capacity release structure also was in conflict with recent Federal Energy Regulatory Commission (FERC) established requirements for pre-assigned capacity release deals.

The Commission continues to be interested in providing smaller customers with additional service options such as transportation. As a result, the Commission ordered MGE to implement a new non-telemetered program by the beginning of the 2002 heating season or provide reasons why another program should not be implemented.

Wisconsin Public Service Corporation AMR-based Transportation Rate

This gas transportation service is being offered in conjunction with the utility's introduction of automated meter reading technology (AMR) in its service territory. The AMR devices allow the utility to provide transportation services to customers who were previously restricted to more basic utility service, because of the cost of telemetering. This new service is currently available to medium-sized commercial customers using 20,000-75,000 therms/year. Approximately 900 WPSC customers are currently eligible for this service. The Cg-TMA rate was approved by the Commission in docket 6690-UR-112 in December 2000.

The initial sign-up period for current system sales customers to take service under this new transport rate began January 1, 2001, and ended March 3, 2001. Based on

this sign up, approximately 100 current system sales customers will begin to take service under this transport rate on November 1, 2001. Also, eight former "traditional transport" customers are already taking service under this new transport rate.

Currently being audited by Commission staff, WPSC plans to propose to remove the 75,000 therms/year upper limit for participation altogether, and to reduce the lower limit from 20,000 therms/year to 15,000 therms/year to allow more participation. WPSC expects to further reduce the lower limit each year or each rate case, eventually down to the residential level.

Acquisitions/Consolidation

Wisconsin Electric Corporation/WICOR, Inc., Acquisition

On July 20, 1999, Wisconsin Electric Corporation (WEC) filed an application for authority to acquire 100 percent of the common stock of WICOR, Inc. (WICOR). In its order dated March 15, 2000, the Commission approved the acquisition.

As part of the acquisition, WEC sought authorization to recover the utility portion of the acquisition premium (\$478 million) through indefinite retention of synergy savings resulting from the acquisition and subsequent integration of utility operations.

The Commission found that the record provided no quantification of potential synergy savings. The applicant was unable to substantiate sufficient system or economic benefits to allow direct recovery of any of the acquisition premium. The Commission authorized a five-year rate restriction period during which time the utilities would be able to retain any net savings they are able to attain. The Commission also authorized special rate treatment during the five-year rate

restriction for limited issues, primarily those associated with electric reliability.

The two utilities were not combined in conjunction with the acquisition, but may be combined at a later date.

WPSC Resources Corporation/Wisconsin Fuel and Light Company Merger

On August 7, 2000, WPSC Resources Corporation, the parent of WPSC, filed an application to acquire Wisconsin Fuel and Light Company (WF&L) and for a concurrent merger of WF&L into WPSC. The Commission issued its order approving the acquisition and merger on March 30, 2001. The purchase price was approximately 3.5 times book value resulting in an approximate \$37 million acquisition premium.

The Commission found that the close proximity of the two gas service territories (WF&L and WPSC) and the overlapping service territories of WF&L's gas operations with WPSC's electric operations would result in synergy savings on an on-going basis and justified rate recovery of a portion of the acquisition premium. In WPSC's next biennial rate case, the revenue requirement will be increased in the amount of the actual merger-related synergy savings, up to \$3.5 million annually for a three-year period.

The acquisition and merger were consummated April 2001. Common gas costs and a common gas adjustment mechanism was effective with the April 1, 2001, merger; however distribution service rates will not be combined until 2003.

Northern States Power Company/New Century Energies, Inc., Merger

On August 16, 2000, the United States Securities and Exchange Commission approved the merger of New Century

Energies, Inc., a registered public utility holding company, and Northern States Power Company (NSP), a holding company exempt from registration. The utility portion of Northern States Power Company-Minnesota (NSPM) became New NSP and NSPM became the parent holding company, Xcel Energy, Inc. The operating utilities in the Xcel system include New NSP, Northern States Power-Wisconsin (NSPW), Black Mountain Gas, Public Service Company of Colorado, Cheyenne Light, Fuel and Power, Company, and Southwestern Public Service Company. The Commission will continue to regulate NSPW as a Wisconsin utility. Xcel Energy, Inc., is the second federally registered holding company system containing a Wisconsin utility. Alliant was the first.

Interstate Pipelines

Natural gas supplies are transported over interstate pipelines to the local utilities. The federal regulation of these pipelines focuses on providing users with competitive choices, an approach that assumes most system users have access to more than one pipeline. This is not the case for most Wisconsin customers. Most portions of the state have access to only one interstate pipeline. In addition, this existing pipeline capacity continues to be constrained in some areas of the state, particularly in western Wisconsin, where incremental capacity is often available only at premium rates. During this biennium, major developments have occurred that are intended to increase access to competitive pipeline options and services.

In June 2001 the Commission approved a 38-mile pipeline proposed by WGC to connect its Milwaukee-area distribution system to the Guardian Pipeline (Guardian). Guardian is a new interstate pipeline that was approved by FERC in early 2001. Both projects are expected to be in service by late

2002. WGC's Milwaukee area distribution system currently uses gas supplies delivered on ANR pipelines.

The Guardian pipeline would transport natural gas into southeastern Wisconsin from the Joliet, Illinois, area. A number of interstate pipelines converge in the Joliet area, which is often referred to as the Chicago Hub. The Chicago Hub has become an active market for natural gas supplies. Utilities are changing their pattern of gas purchases, with some of the needed supplies being purchased at the Chicago Hub rather than from the actual producing areas (such as the Gulf of Mexico, Oklahoma, and western Canada).

Guardian, if built, represents a substantial addition to the pipeline capacity serving southeastern Wisconsin. Guardian would also bring additional competition to the natural gas transportation services available in southeastern Wisconsin.

On a smaller scale, WGC and Superior Water, Light and Power Company received approval from the Commission to build new gas supply lines to connect certain service areas in northwestern Wisconsin to a second interstate pipeline system. Both of these service areas were previously connected only to Northern Natural Gas Company's interstate pipeline system. The new supply line connections allow gas shipments on pipelines owned by Viking Gas Transmission Company and Great Lakes Gas Transmission.

WGC, near the end of the biennium period, submitted a proposal to the Commission that would allow it to function as an intrastate pipeline. As an intrastate pipeline, WGC would transport gas supplies from the Viking Gas Transmission Company pipeline to the distribution systems of other gas utilities. Three gas

utilities, Northern States Power Company, Midwest Natural Gas Company, and St. Croix Valley Gas Company, have contracted to transport gas over this new intrastate pipeline into service areas in western Wisconsin that currently receive gas supplies from Northern Natural Gas Company's pipeline system.

Natural Gas Construction Orders

During this last biennium, the Commission issued 31 orders in gas construction cases. This represents an overall decrease from the previous biennium's 52 gas construction orders. The most significant system reinforcement project during the biennium was WGC's lateral connection to the proposed Guardian Pipeline, which is discussed further under Interstate Pipelines.

Hedging/Risk Management of Gas Prices

During the biennium, the Commission approved two new gas-hedging programs. These were MGE in 2000 and Wisconsin Electric-Wisconsin Gas (WE-GO) in 2001. That brings the number of Wisconsin's natural gas utilities engaged in hedging or risk management of natural gas prices to four. WGC, the first to have a program approved, began in 1995. WP&L also has a program.

The Commission's approach to risk management differentiates between hedging gas prices and speculating on future movement of gas prices. The distinction is that hedging is intended to eliminate some of the volatility in gas prices while speculation attempts to predict and profit from price volatility. The Commission has approved only hedging programs.

Deregulated Natural Gas Prices

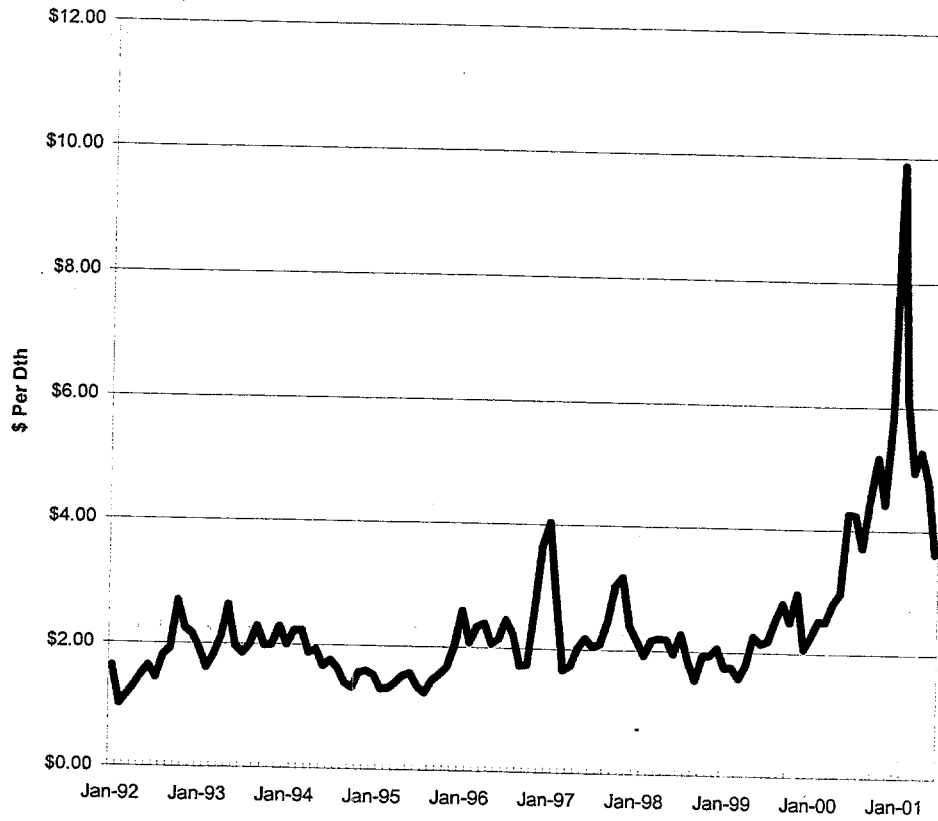
The U.S. Congress deregulated the pricing of natural gas production (the wellhead price of natural gas) in the late 1970s. The FERC set the price prior to the Congressional action. The deregulation of this commodity has, until recently, largely been considered a success because in real terms, natural gas prices had generally declined over time. That conclusion was called into question by some energy experts due to the extremely high prices experienced in the 2000-2001 heating season. As is shown below, the price of natural gas rose to about \$10 per million Btu in January 2001, which is five times higher than the average price paid over the decade of the 1990s.

The Commission sponsored a Natural Gas Forum for consumers in September 2000 to discuss the rapid rise in natural gas bills. Since the Commission has no jurisdiction over the wellhead price, the focus of the effort was to inform customers

and present options for dealing with high prices, such as increased weatherization. The Commission invited experts from ANR, WP&L, WGC, MGE, and Kaztex Energy Management to give their perspectives on what was anticipated in the coming months. A wide range of consumer interests were represented at the meeting, including the Wisconsin Energy Conservation Corporation, Community Advocates of Milwaukee, the Citizens' Utility Board, and the Wisconsin Paper Council.

In mid-2001, the wellhead price has declined back to near normal levels. This is due in part to the slowing of the economy, which has reduced demand for natural gas to some extent. In addition, the high prices experienced last winter have spurred producers to increase the exploration for and production of natural gas and the delivery capability of their facilities. It is unclear whether the lower prices will prevail, but the situation looks much brighter than it did only a few months ago.

Monthly Wellhead Prices of Natural Gas
Actual Prices: January 1992 - June 2001



Public Service Commission of Wisconsin

Natural Gas Construction Projects

Utility	Docket	Final Order	Description
CGC	1140-CG-108	June 2000	Provide service in town of Harrison, Marathon County
CGC	1140-CG-109	April 2001	Provide service in town of Hutchins and village of Mattoon, Shawano County
MGE	3270-CG-116	June 2000	System reinforcement in city of Madison, Dane County
MNGC	3670-CG-113	November 1999	Provide service in village of Cashton, Monroe County
NSP	4220-CG-129	August 1999	Provide Service in town of Carey, Iron County
SCNGC	5230-CG-103	December 2000	Install automated meter reading system
SWL&P	5820-CG-104	October 2000	Second supply source for city of Superior, Douglas County
WEPCO	6630-CG-108	November 1999	Replace gas main in city of Franklin, Milwaukee County
WEPCO	6630-CG-109	May 2000	System reinforcement in city of Racine and town of Mount Pleasant, Racine County
WEPCO	6630-CG-111	August 2000	System reinforcement in town of Bloomfield, Walworth County
WEPCO	6630-CG-112	August 2000	Regulator station replacement in town of Menasha, Winnebago County
WEPCO	6630-CG-110	October 2000	Provide service in portions of town of Deerfield, Dane County
WEPCO	6630-CG-113	January 2001	System reinforcement in town of Lyons and city of Lake Geneva, Walworth County
WEPCO	6630-CG-116	May 2001	Gas main relocation in city of Kenosha, Kenosha County
WEPCO	6630-CG-114	June 2001	System reinforcement in town and village of Walworth, Walworth County
WGC	6650-CG-195	September 1999	System reinforcement in village of Menomonee Falls, Waukesha County
WGC	05-CG-100	October 1999	Purchase facilities from Wisconsin Public Service Corporation and provide service in portions of the town of Oneida, Outagamie County
WGC	6650-CG-197	November 1999	Provide service in the town of Springfield, St. Croix County
WGC	6650-CG-198	April 2000	Replace and upgrade radio data network
WGC	6650-CG-199	May 2000	Provide service in town of Oakland, Burnett County
WGC	6650-CG-200	July 2000	System reinforcement and provide service in village of Knapp, Dunn County
WGC	6650-CG-201	October 2000	Provide service in a portion of the town of Wolf River, Winnebago County
WGC	6650-CG-203	October 2000	System reinforcement in the city of Milwaukee, Milwaukee County
WGC	6650-CG-202	January 2001	Provide service in the town of Lebanon, Waupaca County and the town of Maple Creek, Outagamie County
WGC	6650-CG-194	February 2001	Preliminary Decision on need and economic justification for a second supply source to serve the greater Milwaukee area

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Utility	Docket	Final Order	Description
WGC	6650-CG-208	May 2001	Provide service in the town of Swiss, Burnett County
WP&L	6680-CG-144	February 2000	Provide service to a new power plant in Dane County
WPSC	6690-CG-146	November 1999	Provide service in the village of Ashwaubenon, Brown County
WPSC	6690-CG-142	January 2000	Provide service to a new power plant in Brown County
WPSC	6690-CG-147	April 2000	Provide service in a portion of the city of Two Rivers, Manitowoc County

- CGC - City Gas Co
- MGE - Madison Gas and Electric Company
- MNGC - Midwest Natural Gas Company
- NSP - Northern States Power Company
- SCNGC - St. Croix Natural Gas Company
- SWL&P - Superior Water, Light and Power Company
- WEPCO - Wisconsin Electric Power Company
- WGC - Wisconsin Gas Company
- WPSC - Wisconsin Public Service Corporation

Natural Gas Rate Case Actions

Utility Name	Docket Number	Dollars Requested	Dollars Granted	Final Order	Percent Change
MGE	3270-UR-110	\$4,466,000	\$3,408,000	12-22-00	2.72
MNG	3670-GR-102	668,033	627,033	5-01-01	7.22
SWL&P	5820-UR-107	320,553	246,274	*7-10-01	5.39
WEPCO	6630-UR-111	8,000,000	8,000,000	8-30-00	2.1
WPSC	6690-UR-112	4,900,000	4,315,000	12-22-00	1.5

*Commission decision order pending.

MGE Madison Gas and Electric Company
MNG Midwest Natural Gas, Inc.
SWL&P Superior Water, Light, and Power Company
WEPCO Wisconsin Electric
WPSC Wisconsin Public Service Corporation





WATER, COMPLIANCE AND CONSUMER AFFAIRS

Uniform System of Accounts - Municipal Water and Sewer Utilities

The Commission is at the midpoint of a two-year project evaluating and updating the Uniform System of Accounts (USOA) for regulated municipal water and sewer utilities. Accomplishments, to date, include an industry-wide survey and stakeholder meetings with a focus group. The overwhelming survey response and consensus of the focus group is that the USOA is working well despite its age (written in the 1960s) and "to not fix what is not broken." Thus, the rewrite and reauthorization stage is intended to simply update and consolidate accounts and make the documentation easier to use. An electronic version of the USOA will be developed with search capabilities. The current intent is to "package" this all in one system of accounts using summary accounting to accommodate the less detailed reporting of the Class D utilities.

Accounting Treatment for Contributions in Aid of Construction – Municipal Utilities

After receiving a petition from the water industry, the Commission, on its own motion, opened this landmark docket to determine if the present accounting and ratemaking for municipal Account 271, Contributions in Aid of Construction (CIAC), was adequate or whether modifications would improve on the present accounting and ratemaking treatment. A public hearing was held on November 15, 1999. There was good participation from the municipal water and electric utility industries. The CIAC issue was thoroughly

examined because of the potential for wide-ranging financial impact across the spectrum of municipal utility regulation: electric, gas, water, and sewer. After reviewing the record and studying several proposals, the Commission issued an order on April 2, 2001, establishing the "Alternate Commission Method" as the prescribed accounting treatment for CIAC. The new accounting treatment is effective January 1, 2003. Applying this method, rate base will not be eroded because contributed plant will not be depreciated. However, because contributed plant will no longer be depreciated, the utility may lose some cash flow unless it monitors its revenue needs closely and files for timely rate relief. The Commission concluded that the Alternate Commission Method provided the best balance of customer and utility interests and is the only method that met all the objectives identified in this docket.

Storm Water Charges – Establishing a New Precedent

On February 23, 2001, the Commission made an important decision concerning the reasonableness of charges being levied by a municipality for storm and surface water related expenses. In 1998, municipal law was amended to allow recovery of the capital and operational expenses associated with storm and surface water collection and treatment. Previously, most municipalities used general tax dollars to construct and operate storm and surface water infrastructure. In the 1997-98 legislative session, Wis. Stat. § 66.076 was amended to explicitly provide for the adoption by a municipality of a system of service charges to meet annual revenue needs for constructing and operating storm and

surface water collection and treatment facilities. Wis. Stat. § 66.076(5)(b) [now renumbered to § 66.0821(4)(c)] is the specific section created to allow for these charges. Some municipalities have adopted and others are evaluating direct charging for the capital and operational costs of their systems. Direct charges shift the funding source from the tax roll. Often the billing mechanism is the water utility bill. The Legislature gave the Commission jurisdiction over complaints concerning the reasonableness of the rates, rules, and practices that the municipalities put in place.

Electronic Water and Sewer Rate Increase Application

Wisconsin municipal utilities are currently benefiting from programming automation to enable electronic preparation and filing of water and sewer rate case applications. The new electronic form permits the applicant (a utility or its consultant) to obtain a semi-completed, utility-specific application from the PSC. When sent via e-mail to the utility or its consultant, the application already contains historical information from the PSC annual report database. The utility or its consultant then files the application electronically via e-mail with the PSC. The filed electronic formats flow seamlessly into the PSC's rate setting programs and process yielding a quality rate design product with significant time savings. The target time period to process a routine rate case is 90 days.

Water Utility Operating Rule Revisions

The Commission is in the process of completing a limited-scope rulemaking to revise Wis. Admin. Code ch. PSC 185. This chapter sets forth customer service and technical operating standards for water

utilities. The key proposed changes have been favorably received and relate to a household disconnection rule, the testing of water meters, the exercising of valves and hydrants, and the amount of late payment charge a utility may use. Also, two changes are proposed to clarify § PSC 185.33 (9)(e) regarding billing and § PSC 185.37(2)(l) regarding disconnection and refusal of service. The Commission has issued its proposed rule and is awaiting action by the Legislature. It is anticipated the new rules will go into effect late in 2001.

Sewer Systems and Railroads – Main Crossings

The Commission initiated a rulemaking in this docket to add sewerage systems to Wis. Admin. Code ch. PSC 132. In 1997, ch. PSC 132 was created to set forth the compensation to be paid and conditions to be met by a public utility for the construction or maintenance of facilities within a railroad right-of-way in cases where the utility and the railroad cannot agree. The change in ch. PSC 132 was undertaken to make the chapter consistent with an amendment of Wis. Stat. § 196.04(4) by the Legislature. The objective of the now completed rulemaking was to change the definition of "public utility" in ch. PSC 132 to include sewerage systems. The prior definition of "public utility" in § PSC 132.02(3) did not include sewerage systems. Changing the definition added sanitary and storm sewerage systems to the existing policy where the Commission has the authority to settle right-of-way disputes between railroads and public utilities. Stated simply, the Commission now has additional authority to settle right-of-way disputes between owners of railroads and sewerage systems.

Madison Water Utility's Lead Lateral Surcharge

The Commission denied an application by Madison Water Utility's (MWU) to place a 5.5 cent/hundred cubic feet surcharge on water sales. MWU had proposed to use the funds from the surcharge to assist homeowners served via lead laterals in replacing the customer portion of the lead service lateral. The Commission denied the application stating that it would be unreasonable and unjustly discriminatory to use public program dollars generated through rates as a subsidy to furnish a direct benefit to an exclusive group of private property owners. The Commission determined it was inappropriate and would establish an unwise precedence to use ratepayer monies to make such improvements. MWU successfully challenged the Commission in court. The Commission has appealed the lower court ruling; thus the ultimate status of this decision is pending. Regardless of outcome, the case will create important benchmark guidelines as to whether ratepayer monies may be used to directly subsidize private property interests.

Complaints From Utility Customers Continue to Increase

Complaints received by the Commission from utility customers continue to increase. In 2000, Commission staff processed 13,513 complaints—over two and one-half times the number received in 1995. This represents an increase of 30 percent over the 10,366 complaints received in 1999, and an increase of 36 percent over the 9,972 complaints received in 1998. The telecommunications industry has the largest number of complaints; 74 percent of the total. The number of telecommunications complaints has increased by 36 percent since 1998. Changes in the telecommunications

industry, both in the level of regulation and the proliferation of services and charges, are the reasons for the large increase.

Complaints regarding electric utilities increased by 26 percent and natural gas complaints increased by 18 percent. The largest category of Commission complaints involved billing issues such as deferred payment agreements and disconnections. The increase in billing complaints is driven by increased and more aggressive collection practices and the number of utility customers who are having problems paying their bills.

PSC 165 Rulemaking - Revision of Telecommunications Rules

In 1994, the Legislature passed 1993 Wisconsin Act 496 (Act 496), which significantly changed telephone utility regulation. Act 496 introduced much more competition and customer choice into the telecommunications field. As a result, new problems and areas of concern have arisen in the area of telecommunications regulation, prompting the Commission to re-examine its current administrative rules to see which are outmoded and should be removed, and which areas require new rulemaking.

The scoping statement for the revision of Wis. Admin. Code ch. PSC 165, which is the administrative code regulating telecommunications utilities in Wisconsin, was submitted to the Commission on June 15, 1999. A draft version of the revised rules was submitted to the Commission on July 5, 2001. The rule revisions focus on consumer protection issues, but minor changes such as cite references and language clarification were made to the technical sections. In addition to revising existing sections of the rule, eight new sections were created to address areas and/or problems such as answering time standards, application for service,

telecommunications assistance programs, restriction of service, "slamming" and provider selection freezes. It is hoped the permanent rules will be in effect some time in 2002.

Mobile Home Park Program

As directed in Wis. Stat. § 196.498, the Commission promulgated administrative rules that established standards for providing water and sewer service in mobile home parks. These rules, i.e., Wis. Admin. Code ch. PSC 186, went into effect on September 1, 1999. The rules address concerns regarding water quality, distribution systems, and the reasonableness of water and sewer rates in mobile home parks. Chapter PSC 186 also provides a process for park occupants to dispute issues related to billing, such as disconnection of service, deferred payment agreements, and deposits.

Since the rules were enacted, there have been 109 complaints and approximately

50 inquiries and opinions filed at the PSC related to the provision of water and sewer service provided in mobile home parks.

Electronic Filing of Applications

Wisconsin municipal water, sewer, electric, and gas utilities have been filing their annual financial and statistical reports in an electronic format since 1997. After the implementation of the electronic filing process, information contained on the reports could be retrieved from the annual report database upon request and provided via either diskette or e-mail attachment. In early 2001, the most-frequently requested information was made available on the Commission's web site. The path www.psc.state.wi.us/a_wegs links requestors to water, sewer, electric, and gas information from 1997-2000, that can be read on-screen, printed, or downloaded in Excel. The database also provides suggested criteria options to obtain specific results, tips for interpreting results, and staff contact information.

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Water Rate Cases Table

Utility	Docket	Dollars Requested	Dollars Granted	Final Order	Percent Change
Altoona	0120-WR-102			12-9-99	Direct Charge PFP
Amery	0140-UR-103	\$ 123,913	\$ 103,469	2-5-01	21
Amery	0140-UR-103	44,434	43,188	2-5-01	17
Appleton	0190-WR-107	1,313,000	1,200,462	1-13-00	16
Appleton	0190-WR-108	2,944,700	2,503,618	4-10-01	28
Argyle	0230-WR-101	40,088	61,567	2-22-01	80
Arlington	0240-WR-102	57,900	(Step 1) 41,389 (Step 2) 58,722	4-20-01	(Step 1) 100 (Step 2) 141
Ashland	0250-WR-102	544,061	548,687	3-22-01	50
Ashwaubenon	0255-WR-101	603,325	728,964	9-22-00	52
Baldwin	0320-WR-101	42,384	60,134	3-20-01	22
Beaver Brook	0405-WR-101		4,319	2-4-00	31
Black Earth	0531-WR-101	21,002	23,788	3-16-01	26
Boyd	0690-SR-101	56,225	(Step 1) 44,586 (Step 2) 59,787	3-13-01	(Step 1) 55 (Step 2) 74
Brockway	0730-WR-102	35,894	25,535	11-9-99	16
Brodhead	0740-WR-101	176,199	75,014	4-20-01	19
Brookfield	6390-WR-102	90,832	169,700	3-31-00	24
Burke	0835-WR-101	25,100	25,680	7-25-00	36
Burlington	0840-WR-103	180,200	178,324	11-1-00	16
Butler	0860-WR-105	140,000	144,952	5-17-00	62
Caddy Vista	0880-WR-101	17,951	18,855	10-3-00	21
Caledonia	0900-WR-103	106,570	105,321	11-1-00	27
Cambria	0910-WR-102	45,301	27,817	12-10-99	64
Cedar Grove	1010-WR-104	95,207	92,745	2-5-01	63
Cedarburg	1000-WR-102	306,848	234,893	5-9-00	23
Clintonville	1200-WR-103	73,590	60,600	7-28-99	13
Cobb	1220-WR-101	54,698	26,048	6-12-01	60
Coleman	1260-WR-102	67,610	109,446	11-16-99	165
Cottage Grove	1390-WR-101			5-11-01	Direct Charge PFP
Country Estates	1395-WR-100		162,621	12-22-00	New Utility
Cudahy	1480-WR-102	227,145	233,841	8-8-00	12

Public Service Commission of Wisconsin

Utility	Docket	Dollars Requested	Dollars Granted	Final Order	Percent Change
Curtiss	1505-WR-101	91,300	69,731	1-29-01	123
Darboy Joint	1545-WR-100	254,156	198,239	2-20-01	39
Darien	1550-WR-100	164,993	70,296	11-30-99	41
Deerfield	1570-WR-102	83,400	97,570	7-7-00	36
Deforest	1580-WR-103			6-1-01	Direct Charge PFP
Dickeyville	1620-WR-102	2,372	10,366	3-16-01	14
Dodgeville	1650-WR-102	153,356	144,106	6-1-01	30
Downsville	1675-WR-101	5,810	11,866	1-19-01	41
Eastman	1720-WR-101	18,804	17,546	5-11-01	79
Eau Claire	1740-WR-107	351,889	498,575	12-20-00	8
Elkhart Lake	1790-WR-101	146,930	(Step 1) 72,284 (Step 2) 97,249	9-22-00	(Step 1) 56 (Step 2) 75
Elkhorn	1800-WR-101	113,100	80,351	2-10-00	7
Fennimore	1980-WR-102	95,141	104,765	10-6-00	37
Fitchburg	1990-WR-101	147,400	248,767	7-25-00	23
Fond Du Lac	2010-WR-106	274,137	297,635	3-15-01	7
Fond Du Lac	2010-WR-105	229,119	355,761	4-27-00	9
Fontana	2020-WR-103	206,154	154,827	12-28-99	30
Fox Point	2090-WR-104		36,323	10-20-99	4
Fox Point	2090-WR-105	104,603	111,403	3-28-01	13
Glenbeulah	2250-WR-101	17,886	16,900	3-24-00	57
Grafton	2300-WR-102	160,944	156,055	9-29-99	17
Green Bay	2350-WR-104	2,837,444	2,797,884	2-1-00	27
Gresham	2410-UR-101	7,400	11,528	10-28-99	15
Gresham	2410-UR-101	27,400	24,628	10-28-99	88
Hammond	2430-WR-101	74,800	78,684	11-24-00	63
Hartford	2470-WR-102	664,000	637,612	4-14-00	46
Hobart	2573-WR-101	112,349	199,964	6-1-00	71
Hollandale	2580-WR-101	60,511	23,584	6-12-01	128
Horicon	2600-WR-102	43,200	49,781	1-26-00	12
Hortonville	2610-UR-100			6-13-00	(17)
Hortonville	2610-UR-100	147,200	149,305	6-13-00	122
Janesville	2740-WR-103	(Step 1) 481,917 (Step 2) 121,184	389,482 (Step 1) 605,387 (Step 2)	2-14-01	(Step 1) 10 (Step 2) 15

1999-2001 Biennial Report

Utility	Docket	Dollars Requested	Dollars Granted	Final Order	Percent Change
Kenosha	2820-WR-104			4-14-00	Limited Decrease
Kohler	2890-WR-101	44,900	50,682	9-16-99	11
Kronenwetter	2901-WR-101			11-5-99	Limited Decrease
La Crosse	2920-WR-102	698,270	616,159	10-8-99	20
Lake Mills	3000-WR-101	210,352	237,913	6-12-01	54
Lancaster	3030-WR-102			12-9-99	Direct Charge PFP
Lena	3120-WR-102	17,768	21,430	3-1-00	29
Linden	3130-WR-101	59,065	34,785	11-22-99	110
Lodi	3160-WR-102	97,550	109,868	11-10-99	30
Madison	3280-WR-106	5.5 cent surcharge	Denied	10-18-00	0
Marathon	3350-WR-101	73,281	214,247	6-8-00	96
Marshall	3410-WR-103	117,419	111,931	1-10-01	40
Marshfield	3420-WR-102	231,979	285,722	7-25-00	12
Mattoon	3440-WR-100	24,262	24,847	12-6-99	46
Mazomanie	3480-WR-102	39,684	28,723	9-14-99	20
McFarland	3490-WR-105	136,836	141,081	12-13-00	21
Medford	3520-WR-102	136,090	131,227	9-3-99	34
Menasha	3550-WR-103	615,000	647,677	4-11-01	28
Menasha	3560-WR-103	615,251	83,342	10-21-99	3
Menomonee Fall	3580-WR-102	1,423,924	1,456,928	8-14-00	36
Merrimac	3630-WR-101	27,462	28,808	2-15-00	63
Milwaukee	3720-WR-103	6,751,849	8,199,562	8-30-99	14
Mindoro	3730-WR-101	14,536	14,012	5-18-01	81
Monona	3800-WR-105	193,058	114,629	10-10-00	12
Montfort	3840-WR-100	80,008	73,808	3-24-00	121
Monticello	3850-WR-104	77,466	104,909	2-20-01	74
Morrisonville	3870-WR-102	11,925	12,975	7-26-99	63
Mukwonago	3980-WR-102	263,826	270,063	6-21-00	38
Muscoda	4000-WR-102	34,388	32,190	3-15-01	23
Neenah	4030-WR-102	820,000	811,349	7-13-00	28
New Auburn	4080-WR-100	18,066	20,294	3-24-00	62
New Glarus	4100-WR-104	74,000	60,660	10-10-00	24
Niagara	4150-WR-101	81,274	90,940	3-28-01	43

Public Service Commission of Wisconsin

Utility	Docket	Dollars Requested	Dollars Granted	Final Order	Percent Change
North Cape	4180-WR-100	7,343	14,690	12-6-99	225
North Fond Du Lac	4230-WR-105	107,000	102,849	12-10-99	22
Norwalk	4290-WR-101	29,588	33,647	11-15-00	66
Oakfield	4330-WR-102		67,977	3-22-00	77
Oconto	4350-WR-101			5-15-01	Direct Charge PFP
Onalaska	4410-WR-103	371,063	290,403	1-24-01	28
Ontario	4420-WR-101	8,700	7,219	5-15-00	13
Oostburg	4430-WR-101	31,266	33,145	4-27-00	14
Osceola	4460-WR-103	87,462	21,872	3-24-00	8
Paddock Lake	4510-WR-101	23,640	15,824	6-8-00	53
Pence	4570-WR-100	5,358	4,822	3-15-00	121
Phillips	4640-SR-100	159,690	173,744	6-26-00	66
Platteville	4700-UR-102	29,227	51,599	9-8-00	5
Platteville	4700-UR-102	184,576	167,117	9-8-00	16
Pleasant Prairie	4730-WR-101			12-28-99	Rate Decrease -22
Plymouth	4740-WR-102	125,714	144,930	5-1-00	17
Prairie Du Sac	4830-WR-104			12-28-99	Direct Charge PFP
Racine	4900-WR-104	830,273	819,214	12-20-99	7
Ray Huppert Utility Inc.	4940-WR-102		2,415	5-26-00	13
Richland Center	5071-WR-101	206,500	211,768	8-12-99	48
Richland Center	5071-WR-102			5-19-00	Direct Charge PFP
Rome, Ltd	5160-WR-103	89,530	123,922	9-19-00	96
Rothschild	5180-WR-102	253,846	253,030	3-7-00	44
Seymour	5320-WR-102	182,736	204,305	7-27-00	68
Shawano	5350-SR-103	349,889	75,782	2-22-01	6
Sherwood	5420-WR-101	50,961	(Step 1) 52,381 (Step 2) 98,185	10-6-99	(Step 1) 26 (Step 2) 48
Shorewood	5440-WR-105	35,804	60,698	12-13-00	7
Slinger	5510-WR-102	214,937	281,573	5-26-00	79
Spencer	5620-WR-102	50,236	73,507	6-2-00	31
Spring Valley	5650-WR-101	47,182	51,948	11-30-99	41
Spring Valley	5650-WR-102	15,543	15,543	3-31-00	(9)
Stanley	5670-WR-101	195,548	158,780	5-19-00	70

1999-2001 Biennial Report

Utility	Docket	Dollars Requested	Dollars Granted	Final Order	Percent Change
Star Prairie	5675-WR-100	40,242	28,718	3-6-00	61
Stoddard	5720-WR-101	15,771	12,476	7-9-99	18
Sturtevant	5790-WR-101	214,984	222,044	2-27-01	33
Sun Prairie	5810-WR-103	204,368	272,244	11-30-99	21
Union Grove	6020-WR-105	85,200	88,511	12-18-00	21
Van Woods Estates	6075-WR-100	10,243	10,972	1-14-00	93
Viola	6130-WR-101	48,843	45,039	3-14-01	47
Wabeno	6160-WR-101	29,000	35,061	7-28-99	65
Waldo	6170-WR-100	10,849	11,575	3-7-00	52
Waterloo	6220-WR-103	100,400	114,093	10-16-00	42
Watertown	6230-WR-104	(Step 1) 376,577 (Step 2) 391,876	(Step 1) 395,836 (Step 2) 795,374	3-22-01	(Step 1) 18 (Step 2) 36
Waupaca	6280-WR-102			12-28-00	Direct Charge PFP
Wausau	6300-WR-102	253,948	(Step 1) 371,739 (Step 2) 658,497	9-14-99	(Step 1) 12 (Step 2) 22
West Baraboo	6370-UR-100	15,021	17,678	12-28-99	10
West Baraboo	6370-UR-100	50,539	74,317	12-28-99	41
West Bend	6380-WR-106	347,814	438,456	4-27-00	14
West Bend	6380-WR-105	222,392	252,829	9-14-99	9
West Bend	6380-WR-107			2-8-01	Direct Charge PFP
West Salem	6430-WR-103	382,891	70,819	10-16-00	24
Winneconne	6580-WR-101	107,137	93,070	7-20-00	39
Wisconsin Rapids	6700-WR-102	520,429	511,197	7-26-99	20
WP&L - Beloit	6680-UR-110	144,000	48,000	9-3-99	0
WP&L - Ripon	6680-UR-110	28,000	9,000	9-3-99	0





TELECOMMUNICATIONS DIVISION

Competition

More Providers in Wisconsin

As of June 30, 2001, the Commission has certified 124 competitive local exchange providers in the state. These are in addition to scores of resellers who may also offer service to retail customers. Although many of those providers have not yet started to serve customers, others have made progress in making a competitive choice of local service a reality for customers in various parts of the state. As is the case throughout the country, many certified providers went bankrupt during the biennium or voluntarily relinquished their authorizations to serve in Wisconsin. The Commission is also actively pursuing the decertification of providers that fail to comply with the Commission's rules.

The Commission has established a Competitive Study Committee to determine what information is needed to evaluate the status of competition in the state and how to get that data in such a competitive environment, where providers consider their service information to be trade secrets.

Authorization of Municipalities as Competitive Local Providers

In this biennium, the Commission authorized 19 municipalities to provide competitive local and long distance telephone service, determining that the provision of telephone services by municipalities was not prohibited under the law. It approved the municipalities' applications on the condition that measures are implemented to address anti-competitive, confidentiality, accounting, and rights-of-way issues. The authorizations will be in effect pending the

Commission's issuance of administrative rules regarding service by competitive local providers.

Ameritech Unbundled Network Element Prices

Competitive local exchange carriers, or CLECs, lease certain portions of Ameritech's network. These pieces of the network are referred to as unbundled network elements, or UNEs. The Commission opened an investigation into the prices Ameritech charges CLECs for UNEs in 2000. Without fair UNE pricing, CLECs cannot effectively compete against Ameritech and Ameritech cannot recover its legitimate costs or gain approval to enter the interLATA toll market in competition with AT&T, WorldCom, and Sprint, to name a few. The investigation is expected to conclude in late 2001.

Ameritech's Operational Support Systems

In January 2000, the Commission started its investigation into Ameritech's back office systems, or operational support systems (OSS). These are systems competitive local exchange carriers, or CLECs, depend on to resell Ameritech services or to lease certain portions of Ameritech's network. Without these systems functioning properly and in a nondiscriminatory fashion, CLECs cannot effectively compete against Ameritech and Ameritech cannot gain approval to enter the interLATA toll market. The Commission's investigation is designed to enhance and improve these systems through a test conducted by a neutral third party, KPMG Consulting. The investigation is also

designed to establish a set of ongoing performance measures and a remedy plan, which requires Ameritech to make payments to CLECs and to fund consumer education programs in the event Ameritech fails to perform up to its predetermine performance measures. The investigation is expected to conclude in 2002.

Interconnection Agreements

The Commission continues to mediate, arbitrate, and approve new or successor interconnection agreements, and to resolve disputes arising under existing interconnection agreements, between incumbent local exchange companies, or ILECs, and CLECs. Some of these interconnection disputes involve ILECs and wireless companies. Typically, interconnection agreements cover the terms and conditions of exchanging traffic across networks, and the ILEC's obligations to provide wholesale services to CLECs, such as resold services and UNEs. During the biennium, the Commission arbitrated several such disputes, most notably disputes involving Ameritech and several large CLECs, namely AT&T, TCG, and TDS Metrocom.

Rates

Access Charge Case for CenturyTel of the Midwest-Kendall

AT&T and MCI filed complaints in 1999 regarding the level of access charges levied by CenturyTel of the Midwest-Kendall (Kendall). In an order dated November 30, 2000, the Commission determined that Kendall had increased rates without a hearing as required by law and without Commission approval. Kendall was ordered to refund, with interest, those amounts collected under the access tariff it had implemented without approval. In April

2001, the Commission approved a refund plan developed by Kendall. Kendall subsequently appealed the Commission order on refunds, and this matter is pending in court.

Rate Proceedings

Traditional rate cases are generally a thing of the past. With companies operating under price regulation or alternative regulation, and with the provisions for rate changes by small telecommunications utilities, the Commission is normally not involved in the review and approval of rate changes. However, three rate cases for mid-sized telecommunications utilities occurred during the past biennium.

Kendall filed for an interim and permanent increase in rates. For purposes of interim relief, Kendall requested an \$11.4 million annual increase in rates. On April 18, 2001, the Commission granted an \$8,839,000 annual rate increase on a subject-to-refund basis pending a final decision in the proceeding. In the second phase of the proceeding, Kendall requested a \$14.5 million permanent annual increase in rates and stated that no refund is necessary for the subject-to-refund period during which interim rates were in effect. A decision regarding this matter is pending.

CenturyTel of Central Wisconsin, LLC and Telephone USA of Wisconsin, LLC filed applications with the Commission on May 29, 2001, requesting authority to increase access rates on an emergency, subject-to-refund basis in the annual amounts of \$4.3 million and \$3.7 million, respectively. A hearing was held on June 27, 2001.

Small telecommunications utilities (those with less than 50,000 access lines) may increase rates by notice to consumers under Wis. Stat. §§ 196.213 and 196.215. Unless customers of those companies file a

valid petition, the rates become effective, and the Commission is not involved in the rate change. Those companies that had rate increases effective under this process in the period of July 1, 1999, to June 30, 2001, are as follow:

Amherst Telephone Company
Badger Telephone Company
Bonduel Telephone Company
Bruce Telephone Company
Burlington, Brighton & Wheatland Tel. Co.
Coon Valley Farmers Telephone Company
EastCoast Telephone Company
Luck Telephone Company
Milltown Mutual Telephone Company
Mosinee Telephone Company
Mt. Vernon Telephone Company
Northeast Telephone Company
Scandinavia Telephone Company
Waunakee Telephone Company
Wittenberg Telephone Company

Bloomer Telephone Company notified its customers of a rate increase under this process during the biennium; however, the higher rates were not effective until after June 30, 2001.

Infrastructure Issues

Infrastructure Report to the Legislature

The Commission submitted its third infrastructure report to the Legislature's Joint Committee on Information Policy in December 1999. The report, as required by 1993 Wisconsin Act 496, documents information about the use of advanced telecommunications infrastructure for distance learning, interconnection to libraries, access to health care, and employment opportunities for persons with disabilities. The report also provides information on the progress made in deployment of transmission, switching, and advanced services such as ISDN and DSL.

The next report to the Legislature is currently in preparation and is to be filed with the Joint Committee in January 2002.

Wisconsin Builders Association Complaint

A formal complaint was filed by the Wisconsin Builders Association (WBA) against Ameritech regarding the construction charges policy that Ameritech instituted which assesses charges to developers in some cases when telecommunications facilities are extended into areas where facilities do not exist or are not available. WBA argues that no charges should apply in these instances. The WBA is requesting cumulative and alternative remedies in this case. The Commission is investigating whether this change in tariff is permissible under Wis. Stat. § 196.196 and whether the tariff is reasonable.

Consumer Issues

PSC Investigates Ameritech Service Problems

From January 1, 2000 to September 30, 2000, the Commission received 571 percent more complaints about Ameritech Wisconsin's (hereafter, Ameritech) outage or repair service than over the same period in 1999. Complainants identified problems with Ameritech's speed and quality of repair for out-of-service and impaired service conditions, missed appointments, the speed of service installation, slow answer time, and rudeness when calling Ameritech's repair center or business office, and obtaining information regarding the status of repair orders. These problems seriously damaged the public's confidence in Ameritech and represented a level of service that was totally unacceptable.

The Commission conducted an investigation and held hearings throughout

the Ameritech service territory. The Commission determined that Ameritech's service performance problems were caused mainly by a loss of experienced employees, and such problems were exacerbated by abnormal weather conditions. Decreased maintenance and replacement of older existing cable may have also contributed to the problems.

On October 24, 2000, the Commission issued a Consent Order requiring Ameritech to pay customers who experienced poor service quality over \$10 million. This agreement represents the largest settlement over service quality problems ever reached between a telecommunications company and the state of Wisconsin. Prior to the Consent Order, Ameritech had voluntarily paid \$3.5 million to customers directly affected by poor service. Ameritech's plan to address service quality included additional network investment, Project Pronto, increased hiring and training, and personnel redeployment. The PSC required Ameritech to pay credits similar to the ones mandated by the Consent Order for service quality problems beginning in the summer of 2001.

Continuing Review of Service Issues

On June 8, 2001, the Commission issued a Temporary Order in docket 6720-TI-166, which required Ameritech to issue expanded credits to customers who experience service outages greater than 36 hours, delayed installation, or missed appointments. The Commission is considering what other actions to take in this docket.

The Commission assessed a quality of service disincentive of 0.48 percent based on Ameritech's 1999 performance, and a full discretionary disincentive of 0.20 percent. The combined effect of these will be a \$1.5 million reduction in annual revenue.

Continuing Telecommunications Consumer Education Efforts

The Commission continues to aggressively pursue its efforts to educate Wisconsin citizens regarding telecommunications consumer issues. This has involved a statewide, multimedia education campaign for consumers of telecommunications services.

Public service announcements have aired on radio and television stations throughout the state warning consumers on scams such as "cramming" (having charges added to a telephone bill without the consumer's consent), advising consumers on how to avoid high charges when using the Internet or changing carriers, and two Universal Service Fund programs, Lifeline and LinkUp. These have aired in the first quarter of 1999, 2000, and 2001.

An on-line, interactive program called WebPricer has also been established, which allows consumers to make rate comparisons for in-state long distance.

A series of brochures, which contain helpful consumer tips about various telecommunications topics, was produced as part of this effort. These were produced through a joint effort undertaken by the Commission, the Department of Justice (DOJ), and the Department of Agriculture, Trade, and Consumer Protection (DATCP).

Funding for these efforts has come, in part, from monies received through a refund of prison payphone overcharges from a telephone company, and partly from the Universal Service Fund (USF).

414 Area Code Split

The Commission authorized the split of the 414 area code in the fall 1999. The 414 area code was retained within Milwaukee

County. For those 414 area code locations outside of Milwaukee County, a new area code (262) became effective. Mandatory dialing of the new area code went into effect on March 4, 2000.

Price Regulation

A provision of 1993 Wisconsin Act 496 allowed companies to elect a reduced form of regulation called price regulation. See Wis. Stat. § 196.196. To date, Ameritech and Verizon are the only companies that have elected price regulation. In 1999, the Commission undertook an investigation to determine whether changes to price regulation are appropriate. As a result of this investigation, two rulemaking dockets were opened. Currently, average rates for price regulated telecommunications services are governed by an index, which changes based on inflation, less 3 percent (2 percent for companies with less than 500,000 access lines), plus or minus incentives and penalties related to infrastructure and service quality. One of the rulemaking dockets is examining whether to adjust the 2 and 3 percent productivity offsets. As part of the investigation, Commission staff conducted a statewide productivity study. The other rulemaking docket is examining several changes deemed necessary as a result of the Commission's 1999 review of price regulation, and the annual reviews of price regulation for each price-regulated telecommunications utility. These changes include a new concept of an optional infrastructure investment objectives plan, changing the penalty and incentive mechanism table (possibly increasing the maximum service quality disincentive percentage slightly), and adding two additional service quality components approved by the Commission.

Under the price regulation mechanism, in October 1999, the Commission ordered Ameritech to decrease its rates for price-

regulated services by an average of 0.77 percent. To achieve this change, Ameritech reduced its residential rate per call for 61-150 calls from 5 cents to 4 cents. This was somewhat offset by an increase in the basic residential flat rate from \$6.49 to \$6.81 per month. The net of these two changes achieved the required reduction. In October 2000, the Commission ordered Ameritech to decrease its rates for price-regulated services by an average of 0.78 percent. To achieve this change, Ameritech reduced its residential Extended Community Calling rate from 5 cents to 4.3 cents per minute.

In June 2000, the Commission authorized Verizon to increase rates by 0.27 percent, pursuant to the price regulation formula. Verizon made no changes to its rates at that time. In June 2001, the Commission authorized Verizon to increase rates by 1.40 percent (which includes the 0.27 percent from the previous year). Verizon has yet to exercise its option to increase rates.

The Commission established industry-wide standards for service quality to be used in calculating the service-quality disincentive for 2000-2002 price regulation filings. Standards generally reflect slightly stricter performance standards than in previous years. New components have been added for business office answer time and trunk blockage.

Alternative Regulation

1993 Wisconsin Act 496 directed the Commission to regulate with the goal of developing alternative forms of regulation and to develop and approve an incentive regulatory plan for each telecommunications utility. The Commission, to date, has approved alternative regulatory plans for 15 small telecommunications utilities. These plans have generally allowed for

increases in local exchange rates and decreases in access rates paid by long distance companies, included provisions to facilitate a transition to competition, removed earnings restrictions, provided discounts to schools and libraries, and guaranteed maintenance of service quality and infrastructure improvement. Most of the plans have been approved for a limited duration, commonly five years. Applications for alternative regulation are pending for ten other companies.

A rulemaking docket is in progress that may establish several model plans, which companies could elect automatically. The model plans were developed by a small PSC/industry workgroup. This docket may also establish guidelines for filing and review of company-specific alternative regulation plan proposals.

Reporting and Confidentiality

Telecommunications Annual Reports and Associated Confidentiality Determinations Filed Electronically

The Commission requires incumbent ILECs, competitive local exchange carriers, video distance learning providers, resellers, cable television telecommunications service providers, interexchange carriers,

commercial mobile radio service providers, and other providers to file annual reports or assessable revenues worksheets.

The computer program for the ILEC annual report, as well as the spreadsheets for the other annual reports/worksheets, were made available on the PSC's Web page. ILECs were required to file their 2000 annual reports on diskette and provide a public hardcopy version of the report. Other 2000 annual reports/assessable revenues work sheets could either be filed via an attachment to an e-mail message (if the entire report was to be filed on a public basis) or on diskette. The latter option was required for those entities filing a portion of a report/worksheet on a confidential basis.

Subsequent to the filing of the completed reports/worksheets, the Commission issued consolidated confidentiality determinations for each type of 2000 report/worksheet filed on a confidential basis, denying confidential treatment in its entirety or in part. A petition for reconsideration, reopening and stay was subsequently filed by 20 providers concerning all of the confidentiality determinations except for ILECs. The Commission denied the filed petition for reconsideration, reopening and stay. Court action is pending for a subset of the petitioners.



UNIVERSAL SERVICE FUND

Universal Service Fund Activity and Rules Revised

The Commission, acting in concert with the Universal Service Fund (USF) Council, drafted revisions to Wis. Admin. Code ch. PSC 160. The revised administrative code, which went into effect on May 1, 2000, designated several new programs. This increased activity in the USF program area resulted in the Commission allocating a position to serve as the USF Program Manager.

Lifeline and LinkUp Program and Other Programs for Low Income Customers

The Lifeline and LinkUp programs reduce the monthly rate connection charges for telephone service for low-income customers. The revised USF rules increased the amount of payment made by the USF through this program and expanded the eligibility criteria to also include customers that receive benefits from Badger Care.

In an effort to better inform customers of the Lifeline and LinkUp programs, the PSC sponsored public service radio and television advertisements that ran for two three-week periods in late winter and early spring 2001. A new Lifeline and LinkUp brochure was also developed for distribution to customers. These brochures, along with a bulletin describing various USF programs available to customers, were sent to over 150 W-2 agencies and other human service agencies.

Nonprofit Access Grant Program

This new program is a USF grant program that had \$500,000 allocated to it for FY01. The grant dollars are available to

provide funding to nonprofit groups to facilitate affordable access to telecommunications or information services. Applicants must be nonprofit organizations and must provide a 50 percent match for the total project cost. The projects must assist in providing telecommunication or information services to low-income or disabled customers or must assist in deploying advanced telecommunication services.

In the first year of the grant program, 17 applications were submitted. The Commission approved ten of the grants for a total of \$358,800. The organizations and projects that received funding were:

1. Boys and Girls Club of Greater Milwaukee provides access to Internet services and training at one of its youth centers.
2. Coalition of Wisconsin Aging Groups provides videoconferencing capability to its Center.
3. Community Advocates provides outreach and education to households without telephone service and works toward getting them service.
4. Cornucopia provides access to desktop computing and the Internet to people with mental illnesses.
5. DANEnet provides access to Internet service at computer labs for low-income adults.
6. EBTIDE develops telecommuting options for employment for persons with disabilities.
7. Transitional Housing provides free telephone service and long distance calling cards to clients at the homeless shelter.

Telemedicine Grant Program

This new program was established by the Legislature in 1999 Wisconsin Act 9 with a budget ceiling of \$500,000 per year. The grant dollars are available to provide funding to nonprofit medical clinics and public health agencies to purchase telecommunications equipment. Applicants for this program must be a nonprofit clinic serving federally designated health professional shortage areas, medically underserved areas, or medically underserved populations, or are a public health agency. Purchase of medical telecommunications equipment under this grant program must promote technologically advanced medical services, enhance access to medical care in rural areas of the state, or enhance access to medical care to underserved populations or persons with disabilities in the state.

In the first year of the grant program, 13 applications were submitted. The Commission approved ten of the grants for a total of \$500,000. Organizations and projects that received funding to purchase equipment were:

1. Beloit Area Community Health Center provides automatic dialer and messaging systems.
2. Hess Memorial Hospital – Mauston provides transcription system network equipment.
3. Home Health United Visiting Nurse provides home monitoring technology for congestive heart failure patients.
4. Madison Department of Public Health provides integrated autodialer and equipment for a fiber optic connection to two satellite offices.
5. Marquette University Dental Health Clinic provides videoconferencing equipment for teledentistry.

6. Memorial Medical Center- Neillsville provides teleradiology equipment and network connections.
7. Rural Wisconsin Health Cooperative provides videoconferencing equipment for satellite sites.
8. St. Joseph's Clinic- Elroy provides routers and telephone system.
9. Stockbridge-Munsee Community Health Center provides digital transcription network.

Public Interest Pay Telephone Program

In September 2000, the Commission approved a Public Interest Pay Telephone Program to be managed by the Public Interest Pay Telephone Administration. Under this program, when telephones are designated as Public Interest Pay Telephones, the provider of that telephone may be reimbursed for the costs associated with the provision of the service less any revenues generated at the pay telephone.

Telephones can be approved to be Public Interest Pay Telephones if the Commission determines that the public health, safety, and welfare is jeopardized without the telephone, yet insufficient demand, usage or other private or public funds are available to assure installation and continued operation of the telephone. Factors that favor designation of a Public Interest Pay Telephone are: revenues are less than \$90/month (\$120 if with a tele-typewriter (TTY)), the telephone is outside or available 24 hours per day, the telephone is accessible to the general public, no other pay telephone is located within 500 feet, and the pay telephone allows coin calls.

The program began in January 2001, and by the end of FY01, 46 public interest pay telephones were approved. Three providers participate in the program. These telephones are located around all corners of the state—from Grantsburg to Gill's Rock to Brodhead and to Milwaukee. Monthly subsidy levels for these telephones totals over \$3,800.

Telecommunications Equipment Purchase Program (TEPP)

The TEPP is a program where customers may apply for a voucher to assist them in the purchase of equipment necessary for affordable access to and comparable use

of essential services. The voucher amounts are intended to make the cost of purchasing special equipment comparable to the cost of purchasing a quality standard telephone and related features.

The revised Wis. Admin. Code ch. PSC 160 included changes in several of the voucher amounts and no longer required the hard-of-hearing category to make a co-payment of \$100. This and increased outreach efforts have resulted in increased expenditures for the TEPP for FY01. FY00 expenditures for this program were about \$650,000, while expenditures for FY01 were about \$1.9 million. Increased usage of this voucher program enables more hearing and mobility-impaired consumers to have comparable access to telephone service.

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ADMINISTRATIVE SERVICES

Alternative Work Patterns

The Commission continues to have a strong Alternative Work Patterns (AWP) program with a high rate of participation. Of the Commission employees, approximately 70 percent work a nonstandard or flexible schedule. Only 24 percent of employees work a standard 7:45 a.m. to 4:30 p.m. Monday through Friday schedule. Six percent work a part-time schedule varying from half time to 90 percent.

AWP benefits the agency and employees alike and maximizes the employment options available to existing and potential state employees.

Affirmative Action

The Commission has a permanent Affirmative Action Advisory Council (Council). The Council's membership represents all divisions in the agency. The Council's responsibilities are to assist in the development and implementation of affirmative action policies and program areas, to monitor hiring and promotional activities, to develop and coordinate affirmative action training, and to inform new employees of affirmative action laws, policies, and complaint procedures.

One of the Council's major activities during the biennium was to assist with the agency's participation in the Summer Affirmative Action Intern Program. This statewide program provides valuable training, experience, and exposure to the Wisconsin civil service system for racial/ethnic minority and women students and students with disabilities. In 2000, the Commission employed two computer

programmer interns (one in the Division of Water, Compliance, and Consumer Affairs and the other in the Telecommunications Division). In 2000, two interns were hired. The first intern worked as a programmer in the Telecommunications Division and the second worked as a librarian trainee in the Reference Center.

In conjunction with the national "Take Our Daughters to Work Day" program, the Council also sponsored a "Careers Day" in 2000 and 2001. A total of 30 children attended the two events including four guests from Wilmar Neighborhood Center. Finally, the Council sponsored several training workshops during the biennium as well. Topics covered included "Harassment," "Communicating With Persons With Disabilities," "Communicable Diseases," and "How to Advance in State Civil Service."

Wisconsin Works Program

The Commission has been an active participant in the Wisconsin Works (W-2) program since its inception in 1997.

The Commission has developed two Community Service Jobs for W-2 clients. These temporary positions were created to provide individuals with the skills and hands on experience needed to secure permanent employment in the work force. The training includes base skills, typing, word processing, telephone answering, receptionist duties, mail handling, supply ordering, and exposure to computer hardware and office software applications. The Commission has employed 18 W-2 interns to date. In addition, between July 1, 1994, and June 30, 2001, the Commission

hired 13 AFDC/W-2 customers into permanent classified positions, including five during the last biennium.

Office Of Information Technology

In the 1999-2001 biennium, the PSC continued its tradition of implementing leading-edge technology to meet its business needs.

At the beginning of the biennium, the PSC's applications developers completed a project to fully automate the Time and Leave Reporting System. This system allows all PSC employees to fill out their Time and Leave reports electronically and allows supervisors to approve time reports electronically. Data is then submitted to DOA in electronic form, saving \$8,000 per year in data entry costs. This has almost entirely eliminated the use of paper for employee time sheets and employee leave reporting.

With the completion of the migration from Token Ring to Fast Ethernet, the PSC became one of the first state agencies to be in full compliance with the statewide information technology infrastructure standards. This major network upgrade was accomplished over a single weekend without the need for business user outage time. The upgrade provides the PSC with 100 Mbps bandwidth to the desktop for future applications requiring increased bandwidth, such as audio and video applications.

In this biennium, the PSC began revamping its application development environment to reflect the trend toward web-based applications development. In the previous biennium, the PSC had completed its transition from the mainframe environment to a total client-server environment, saving the agency over \$50,000 per year in processing time and storage capacity on the DOA mainframe facilities. Progression to the web-based

programming environment is a logical extension of this earlier effort. These web-based applications provide access to PSC data from anywhere in the world by using readily-available web browser software. These web-based applications allow the general public to access PSC databases involving PSC employees, utility service providers, PSC active and inactive cases, utility annual report information and filing of on-line complaints and inquiries.

The PSC made a number of improvements during the biennium to its PC/LAN environment. First, all users were upgraded to MS Office 2000 Professional. Second, all PCs were upgraded to the Windows 2000 Professional operating system. Third, all servers were upgraded to either Windows 2000 Server or Windows 2000 Advanced Server and the PSC became the first state agency to implement the Active Directory feature of Windows 2000 Server. Finally, the PSC implemented new pairs of servers in a clustered configuration based on Windows 2000 and implemented backup appliances for protecting data on desktop PCs. All together, these improvements significantly increased the reliability and performance of the PSC's LAN environment and provide a level of fault tolerance that has not previously been experienced.

In the 1999-2001 biennium, the PSC implemented new services aimed at providing multimedia content to its customers and staff. First, the PSC implemented a Windows Media Server service that broadcasts the audio portion of the PSC's open meetings out to customers on the Internet. Anyone with the appropriate version of Windows Media Player (downloadable for free) can "tune in" and listen to the PSC's open meetings in real time over the Internet. Second, the PSC implemented Cisco's IP/TV server and connected it to the agency's video conferencing facility in its hearing room.

This provides the agency with the capability to broadcast the audio and video feeds from its hearing room to every desktop PC in the agency. This service allows PSC staff and commissioners to view and listen to PSC hearings on their desktop PCs in their offices. It also allows the PSC to broadcast training videos to all desktop PCs and record seminars or important Commission meetings for later broadcast to staff.

PSC Internal Y2K Efforts

The PSC entered the year 2000 without any misfortunes or mishaps caused by Y2K events. Prior to the turn of the New Year, the PSC had inspected and tested all of its PC hardware and software, but since all of the PSC's desktop and laptop machines were of recent vintage, no problems of any kind

were found. All software had been upgraded to the latest versions, so no Y2K issues were encountered. On the applications development end, the PSC had been running several applications (billing system, utility name file, case management system and customer complaint system) on the DOA mainframe environment. Most of these applications would have had problems associated with Y2K; however, the PSC made the determination in early 1997 to begin replacing all of its mainframe applications with more functional PC/LAN-based Windows applications. These projects were completed long before the end of 1999 and all Y2K issues in these applications were addressed by simply replacing the entire application. This also allowed the PSC's IT staff to add significantly new features and functionality to these applications.

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LIST OF ACRONYMS

Act 496	-	1993 Wisconsin Act 496
AMR	-	Automated Meter Reading
ANR	-	ANR Pipeline Company
ATC	-	American Transmission Company
AWP	-	Alternative Work Patterns
BadgerGen	-	Badger Generating Company, LLC
Calpine	-	Calpine Fond du Lac Corporation
CIAC	-	Contributions in Aid of Construction
CLECs	-	Local Exchange Carriers
CPCN	-	Certificate of Public Convenience and Necessity
DATCP	-	Department of Agriculture, Trade and Consumer Protection
DEIS	-	Draft Environmental Impact Statement
DG	-	Distributed Generation
DNR	-	Department of Natural Resources
DOA	-	Department of Administration
DOJ	-	Department of Justice
DOR	-	Department of Revenue
EIS	-	Environmental Impact Statement
FERC	-	Federal Energy Regulatory Commission
Fox Energy	-	Fox Energy Company, LLC
Guardian	-	Guardian Pipeline
ILECs	-	Local Exchange Companies
IT	-	Information Technology
Kendall	-	CenturyTel of the Midwest-Kendall
kV	-	Kilovolt
MGE	-	Madison Gas and Electric Company
Mirant	-	Mirant Portage County, LLC
MP	-	Minnesota Power
MW	-	Megawatts
MWU	-	Madison Water Utility
NSP	-	Northern States Power
OSS	-	Operational Support Systems
PSC	-	Public Service Commission of Wisconsin
PTF-2	-	Power the Future-2
REPS	-	Rural Electric Power Services
RFP	-	Request for Proposal
Riverside	-	Riverside Energy Center
Rock River Energy	-	Rock River Energy, LLC
RPS	-	Renewable Portfolio Standard
SEA	-	Strategic Energy Assessment
SV	-	Stray Voltage
TCA	-	Tabors, Caramanis and Associates
TEPP	-	Telecommunications Equipment Purchase Program
TTY	-	Tele-Typewriter

- UNE - Unbundled Network Elements
- USF - Universal Service Fund
- USOA - Uniform System of Accounts
- WBA - Wisconsin Builders Association
- WEC - Wisconsin Energy Corporation
- WE-GO - Wisconsin Electric-Wisconsin Gas
- WEPCO - Wisconsin Electric Power Company
- WF&L - Wisconsin Fuel and Light Company
- WGC - Wisconsin Gas Company
- WICOR - WICOR, Inc.
- WP&L - Wisconsin Power and Light Company
- WPPI - Wisconsin Public Power, Inc.
- WPS - Wisconsin Public Service Corporation
- WUMS - Wisconsin Upper Michigan System

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