

Public Service Commission of Wisconsin



{ Biennial Report }
{ 2013-2015 }

Scott Walker, Governor
Ellen Nowak, Chairperson



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PERFORMANCE & OPERATION FOR 2013-2015 BIENNIUM

The Public Service Commission of Wisconsin's 2013-2015 biennium included significant regulatory and policy decisions that will help continue the Commission's mission to ensure that reliable, safe, sufficient and reasonably-priced service is provided to all of Wisconsin's utility customers. Some highlights include:

Protecting Ratepayers: The Commission has protected ratepayers by holding the line on rates for the major utilities throughout the state while also authorizing innovative tariffs designed to stimulate the economy. Over the course of the biennium, the Commission authorized 42% of requested rates, passing on more than \$425 million in savings to Wisconsin ratepayers.

Updating Wisconsin's infrastructure and fleet: Installation of environmental controls at numerous plants in the state's generation fleet and the approval of several transmission lines are improving reliability while reducing emissions, creating jobs, and enhancing regional transmission coordination.

Elimination of Waste: The Commission made significant strides in going paperless, with all Open Meeting materials now distributed in electronic form. The agency also made over 1,500 square feet of what had been paper records storage available for work space.

Broadband Development: The State Broadband Office continues to maintain the state broadband map and hosted its first and second Broadband Symposiums. Governor Walker created the Broadband Expansion Grant program in 2011 and tripled the grants available in the 2015 – 2017 biennial budget to distribute up to \$1,500,000 in grants annually to improve broadband communication services in underserved areas of the state.

Strengthening Focus on Energy: The 2014 program year marked the end of the first quadrennial period (2011-2014) and the Focus on Energy program delivered \$3.33 in energy and environmental savings for every dollar spent. In 2014, the program assisted over 950,000 customers across the state save money on their electricity bills.

PERFORMANCE & OPERATION FOR 2013-2015 BIENNIUM

Division of Energy Regulation

Major Policy Initiatives for 2013-2015 Included:

WEC Acquisition of TEG: In August 2014, Wisconsin Energy Corporation (WEC) filed an application with the Commission for authority to acquire Integrys Energy Group, Inc., under the Wisconsin Holding Company Act. A wide spectrum of stakeholders participated in the Commission proceedings, including trade unions, residential and small commercial ratepayers, industrial and other large commercial customers, environmental policy groups, and other Wisconsin public utilities. The Commission issued its Final Decision approving the acquisition, subject to conditions, on May 21, 2015. The estimated \$9.1 billion deal results in WEC subsidiaries being the providers of the majority of electric and gas services in the eastern half of Wisconsin and the majority owner of American Transmission Company LLC. In addition, the combined holding companies provide utility services in Illinois, Michigan, and Minnesota and at the federal wholesale level and own other non-regulated operations. The Commission order also ensured that WEC headquarters remain in Wisconsin.

Badger Coulee 345 kV Transmission Project: On April 23, 2015, the Commission authorized a 181-mile, 345 kV electric transmission line, known as the Badger Coulee Project. The line extends from the Briggs Road Substation in La Crosse County to the existing North Madison Substation in Dane county, and on to the existing Cardinal Substation, also in Dane county. The authorized project cost is approximately \$581.4 million, but because the regional grid operator has tagged this as a multi-value project, Wisconsin utilities are responsible for an estimated 15% of the costs. When constructed, the project will provide economic and reliability benefits, and will allow for access to lower-cost renewable energy from states to the west of Wisconsin. The project is anticipated to be complete by December, 2018.

WPS Electric Distribution System Modernization and Reliability Project: On June 19, 2013, the Commission approved a project to improve electric distribution reliability proposed by Wisconsin Public Service Corporation. The project will increase reliability by targeted replacement of existing overhead distribution lines with underground lines, installing distribution automation equipment, or both. WPS will address 200 to 300 miles of electric distribution annually, and will focus on areas and facilities with the poorest reliability. The authorized project cost is approximately \$222.5 million, and the project will have a 5-year duration, through 2018.

Rate Requests: Investor-owned utilities requested and were authorized the following in rates for years 2013-15:

Year	Amount Requested	Amount Authorize	Percentage Authorized
2013	\$ 297,864,000	\$ 165,241,000	55%
2014	\$ 219,937,000	\$ 63,916,000	29%
2015	\$ 219,045,000	\$ 81,972,000	37%
Collective	\$ 736,846,000	\$ 311,129,000	42%

PERFORMANCE & OPERATION FOR 2013-2015 BIENNIUM

Division of Energy Regulation Cont.

Wisconsin Gas North Central Lateral Project: On July 18, 2014, the Commission authorized a 74-mile, natural gas pipeline project, known as the West Central Lateral project. The pipeline extends from a new interconnection with the existing Viking Gas Transmission Company pipeline in Eau Claire County, south to Tomah. The new pipeline connects at several points to existing natural gas distribution networks, and will improve natural gas system reliability in west central Wisconsin. The authorized project cost is approximately \$179.0 million, and the project is anticipated to be complete by the winter of 2015-16.

North Appleton-Morgan 345 kV Transmission Project: On May 21, 2015, the Commission approved a 45-mile, electric transmission project consisting of two new transmission lines that will operate at 345 and 138 kV. The line is known as the North Appleton-Morgan Transmission Lines project, and will extend from the existing North Appleton Substation in Outagamie County, to the existing Morgan Substation in Oconto County. The authorized project cost is approximately \$327.7 million. When constructed, the project will provide reliability and economic benefits to northeastern Wisconsin and the Upper Peninsula of Michigan. The project is scheduled to be complete during the second quarter of 2019.

Other Construction Projects: Other significant projects that were authorized by the Commission during the biennium include: turbine and coal pulverizer upgrades at Columbia, \$130.0 million; fuel switching and site bulk material handling project at Elm Road Generating Station; \$101.5 million; selective catalytic air emissions reduction project at Columbia Energy Center, \$150.0 million; conversion of the Valley Power Plant from coal to natural gas, \$79.9 million; combustion conversion at the Fox Energy Center, \$68.0 million; rebuild of the existing 138 kV transmission line between the Waukesha Substation and the St. Lawrence Substation, 51.6 million; and, rebuild of the existing 69 kV transmission line between the Dam Heights Substation and Portage, \$50.8 million.

Renewables: Wisconsin Stat. § 196.378 established Wisconsin's Renewable Portfolio Standard (RPS). The RPS requires Wisconsin retail electric providers to provide a minimum percentage of the electricity they supply at retail from renewable resources. By December 31, 2015, roughly 10 percent of all electric energy consumed in the state is to be from renewable resources. The 10 percent statewide goal was achieved for the first time in 2013, and again in 2014. According to Commission staff analysis of electric provider reports, the statewide renewable percentage will exceed the 10 percent mark beyond 2020, and may increase slightly in this period due to voluntary actions of electric providers and their ratepayers.

Focus on Energy: Savings and spending numbers for calendar year 2014 reflect that in 2014, for every dollar invested in energy efficiency, Focus on Energy provided \$3.33 in economic and non-economic benefits; there were over 990,000 participants in 15 statewide programs; 55 percent of the state's largest energy users completed at least one project with Focus on Energy; and Focus saved 8.2 billion kWh, 105,000 kW and 358 million therms. In addition, independent evaluation results for the 2011-2014 quadrennium reported that Focus on Energy saved 28 billion kWh and 1.2 billion therms. That's the equivalent of powering 1.8 million Wisconsin homes for one year and avoided costs of 5 power plants.

PERFORMANCE & OPERATION FOR 2013-2015 BIENNIUM

Division of Water, Telecommunications and Consumer Affairs

Major Policy Initiatives and Construction Decisions for 2013-2015 Included:

Consumer Affairs and Customer Service: The Commission's Consumer Affairs work unit focused its efforts on educating gas, electric and water utilities and their customers to ensure compliance with billing and customer service laws during the 2013-2015 Biennium. As a result of reprioritizing work towards outreach and education, contacts for assistance from utilities continue to increase significantly, while complaints from customers continue to decline compared to the previous biennium. The Commission experienced a 40% increase in utility inquiries and an 18% decrease in customer complaints in the 2013-2015 Biennium compared to the previous biennium. At the same time, the number of overall contacts to the Commission increased by 6% from one biennium to the next, demonstrating the continued need to provide education and information regarding utility service to Wisconsin ratepayers.

Water Rate Cases: During this biennium, utilities filed applications for 106 water and sewer rate cases. These cases were all filed electronically and processed using the Commission's automated municipal water and sewer rate case processing procedures. The Commission's goal is to complete work on non-contested rate cases within 180 days from the date of filing. During the biennium, the average time to process a water rate case was 154 days. Rate cases for larger water systems continue to become increasingly complex and controversial. During the biennium, the Commission adjudicated a contested rate case for Milwaukee Water Works which is the state's largest water utility.

Simplified Rate Cases: A statutory provision adopted in 1995 allows for inflationary rate increases without a hearing and burden of filing information necessary for a full rate case for qualifying municipal water and sewer utilities. In the 2013-2015 biennium, municipal utilities filed 204 Simplified Rate Case applications. The average time to process a Simplified Rate Case was 22 days.

Water Utility Construction Cases: The Commission approved 71 water-related construction projects totaling approximately \$144.7 million. Typical projects include advanced metering systems, booster stations, elevated tanks, wells, and water treatment facilities. On average, the approvals for these projects were completed within 35 days after the Notice of Investigation was issued.

Water Complaints: Although the Commission does not have original jurisdiction for setting the rates for most wastewater and storm water utilities, the Commission is responsible for adjudicating complaints from customers about unreasonable rates, rules, or practices. In the 2013-15 biennium, the Division resolved 13 informal complaints and processed 4 formal complaints that were either negotiated to a resolution or required a hearing and Commission decision-making.

Water Conservation and Efficiency: The Commission is building on earlier cooperative work with the DNR regarding water loss control by collaborating with utility and industry association partners on a water loss audit pilot training program. This program is funded through grants from the Fund for Lake Michigan and the Great Lakes Protection Fund. Water loss control enhances utilities' financial viability.

PERFORMANCE & OPERATION FOR 2013-2015 BIENNIUM

Division of Business & Program Management

Major Policy Initiatives for 2013-2015 Included:

Strategic Business Planning Model: The DBPM management team continued its use of the strategic business planning model that focuses on how technology can create efficiencies, streamline procedures and help the Commission communicate more clearly to its internal and external customers.

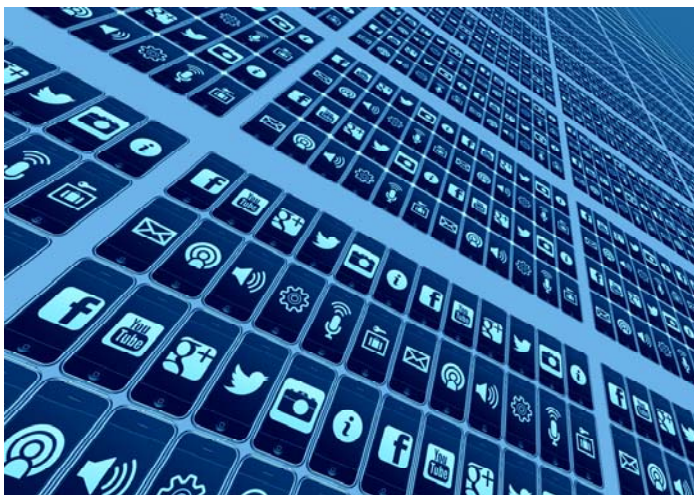
Supervisor Training: DBPM continued its in-house supervisor training program that was started in the last biennium. Areas of focus included Alternative Work Patterns, Compensatory Time, Medical Accommodations, Work-at-Home Agreements and overview of our internal operating budget.

State Broadband Office: The five-year federal grant that originally established the office closed on October 31, 2014. The State Broadband Office (SBO) focused its efforts on transitioning the federally funded program to a fully state operated one. A new website was created and launched in 2014. The SBO also unveiled telecommuter-speed map to the public, which generated both media and consumer interest.

Work Space Consolidation: With our impending building relocation in 2018, the Commission has made a concerted effort to eliminate duplicate paper files that are were made redundant by our paperless initiative, reducing the amount of items requiring transport to the new locations. With this consolidation came the opportunity to better utilize this now-empty space with more collaborative areas. Both floors of the Commission now have areas that foster cooperative, team-building interactions for all staff, while reducing future moving costs of paper files.

Cost-to-Continue Budget: The Commission's 2013-2015 Biennial Budget was a cost-to-continue budget, with only requests for full-funding of salary, fringe benefits, and building lease.

Wellness Campaign: DBPM launched a *wellness@work* campaign, offering 4 days of onsite wellness programming over the lunch hour, as well as a monthly blog that provides staff with useful tips and encouragement to get healthy. A companion video series is being used to further educate staff on healthy eating and living choices.



PERFORMANCE & OPERATION FOR 2013-2015 BIENNIUM

Division of Regional Energy Markets

Major Policy Initiatives for 2013-2015 Included:

A Favorable FERC ruling on Presque Isle System Support Resource (SSR) Cost Allocation: The Commission successfully petitioned the Federal Energy Regulatory Commission (FERC) to re-allocate costs for the continued operation of the Presque Isle power plant in Michigan's Upper Peninsula for reliability purposes. The Division analyzed and provided to the Commission's Office of General Counsel, key technical and policy analysis which formed the basis for the petition. The Midcontinent Independent System Operator (MISO) originally intended to allocate 90% of the costs of the UP plant to Wisconsin ratepayers. The Commission's advocacy before the FERC changed the allocation, saving state ratepayers an estimated \$50 million. Ongoing litigation in this matter continues, and the Division continues to work closely with the Office of the General Counsel to provide technical expertise going forward.

Advising on MISO Multi-Value Projects (MVPs): MISO MVPs are transmission projects designed to both enhance reliable electrical service and to improve economic efficiency. Costs associated with MVPs are proportionate to load within MISO's footprint. MISO is currently advocating for projects that could cost Wisconsin ratepayers an estimated \$200 million annually. The Commission is actively involved in the MVP process, with staff holding key positions on related OMS work groups.

Participation in MISO Transmission Planning process (MTEP) and Technical Support: The robust stakeholder and interested party process identifies and supports development of transmission infrastructure that meets local and regional reliability standards while also allowing for competitive market among wholesale suppliers. The Commission's approval of the Badger-Coulee 345kV Transmission line, is one example of a project that was included in an MTEP process, and also achieved classification as an MVP.

Working to ensure fair cost allocation in MISO's dispute with a neighboring RTO: The FERC has allowed a neighboring RTO, the Southwest Power Pool (SPP) to collect transmission charges for MISO's use of SPP's transmission system. The Commission has been actively involved with MISO, the Organization of MISO States (OMS), and the FERC in advocating for a fair allocation of those costs, and ensuring Wisconsin's ratepayers do not pay for more than the benefits they receive.



PROGRAM GOALS & OBJECTIVES FOR 2015-2017 BIENNIUM

Commission Goals and Objectives included in 2015 Wisconsin Act 55

Ensure safe, reliable and reasonably priced energy, water and telecommunications services are provided to Wisconsin's citizens and businesses: The Commission will also improve broadband service availability and the usage information provided to Wisconsin consumers by conducting regular broadband inventory activities and maintaining the accuracy of Wisconsin's interactive broadband map.

Meet consumers' changing needs in Wisconsin's dynamic and competitive utility industry environment: The Commission places importance on the participation of diverse groups in commission regulatory actions and will provide consistent and prompt assistance to organizations applying for intervenor compensation. It will also increase consumers' access to alternate telecommunication providers by effectively and efficiently certifying new applicants to telecommunications markets, and facilitate consumer access to competitive telecommunications providers by reviewing and approving interconnection agreements and arbitrating or mediating agreements when providers cannot negotiate one. Lastly, the Commission will thoroughly investigate, resolve and respond to consumer complaints from utility customers.

Foster innovative, cost-effective and conscientious methods of water distribution: As infrastructure ages and budgets tighten, the Commission has set a goal to increase the number of external training sessions given by commission staff to water utilities, including speaking engagements at water industry association meetings.

Continue to identify and address telecommunication needs for low-income customers, high-rate areas of the state, customers with disabilities, nonprofit groups, and medical clinics and public health agencies through outreach and marketing efforts: The Commission not only aims to maintain participation levels and expenditures in the Telecommunications Equipment Purchase Program (TEPP), but to work with social service agencies and organizations to improve their program knowledge of TEPP. Likewise, it seeks to market the Medical Telecommunications Equipment Program (MTEP) to encourage participation and diversify locations and types of applications.

Ensure quality utility services are provided in Wisconsin by facilitating the development of programs promoting energy efficiency: The Commission will improve the likelihood of successful energy efficiency incentive programs by working with utilities to facilitate a broad distribution of requests for proposal for business program sub-contractors.



PROGRAM GOALS & OBJECTIVES FOR 2015-2017 BIENNIUM

Division of Energy Regulation

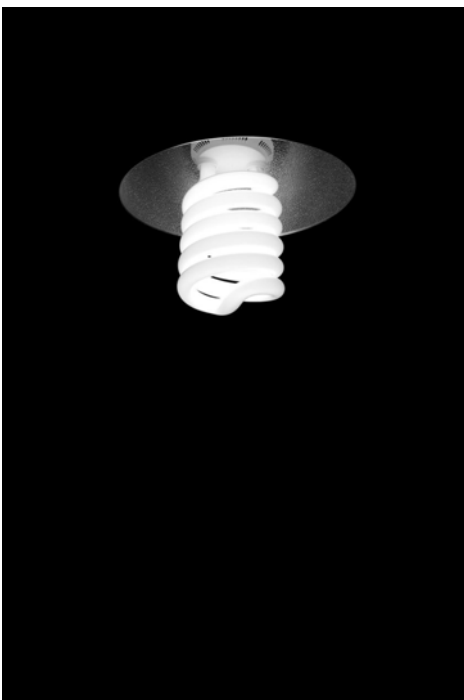
Rates: The Commission will continue to closely examine requests for rate increases, look for innovative ways to keep gas and electric rates in check by examining rate allocation and rate design mindful of the impact on residential and business customers. The Commission will also continue to encourage utilities to propose unique tariffs that meet the needs of their customers and benefit all ratepayers.

Transmission: The Commission will continue its active participation in regional transmission planning efforts via MISO and tariff development at the FERC to ensure that Wisconsin's interests are fairly represented. The Commission will continue to take an active role with other MISO states via the Organization of MISO States (OMS).

Renewables: The Commission will work with stakeholders to create innovative pilot programs, such as community solar gardens, that look at ways to continue to incorporate renewable resources and distributed generation in a manner that is fair and equitable to all ratepayers.

New Generation Resources: As the state enters into an era in which older generating resources are retired, and new generation may be needed to satisfy the state's energy needs, the Commission will closely examine applications to ensure that prudent investments are made.

Public Participation and Transparency: The Commission will continue to foster an environment that welcomes public and diverse stakeholder participation in Commission's proceedings while maintaining the integrity of the Commission's decision-making process. In addition to broadcasting Commission hearings and open meetings on the Commission's webpage, the Commission will continue to look for ways to maximize the internet to publicly disseminate information used by the Commission in its decision-making process in complex rate and construction cases.



PROGRAM GOALS & OBJECTIVES FOR 2015-2017 BIENNIUM

Division of Water, Telecommunications, and Consumer Affairs

Water Resources Planning

Water Utilities in Wisconsin are entering an era during which there will be an increased need for investment in reconstruction of aging facilities. The Water team is working to ensure that Wisconsin Utilities maintain efficient operations delivered at reasonable rates. The Water team is supporting effective planning for water resources and demand, as well as for adequate levels of main replacement.

Utility Education

During the 2015-2017 Biennium, the Division will be proactive in educating utilities and their customers regarding legal requirements and the ratemaking process to help ensure utilities are providing service to their customers in a cost-effective manner that meets the needs of the ratepayers in their service territories.

Matching the complexity of consumer and utility issues

In the Consumer Affairs unit, the total number of contacts from customers and utilities has increased and the issues analyzed are more complex. This demonstrates that utilities recognize the Consumer Affairs staff as a resource to ensure service is being provided in accordance with the law. Also, the nature of contacts from utility customers has changed to increasingly more complicated billing and rates questions, rather than more straightforward questions regarding disconnections and payment arrangements. The composition of the Consumer Affairs work unit will continue to evolve to ensure there are adequate staff resources to respond to complex situations and provide related data analysis to decision makers.



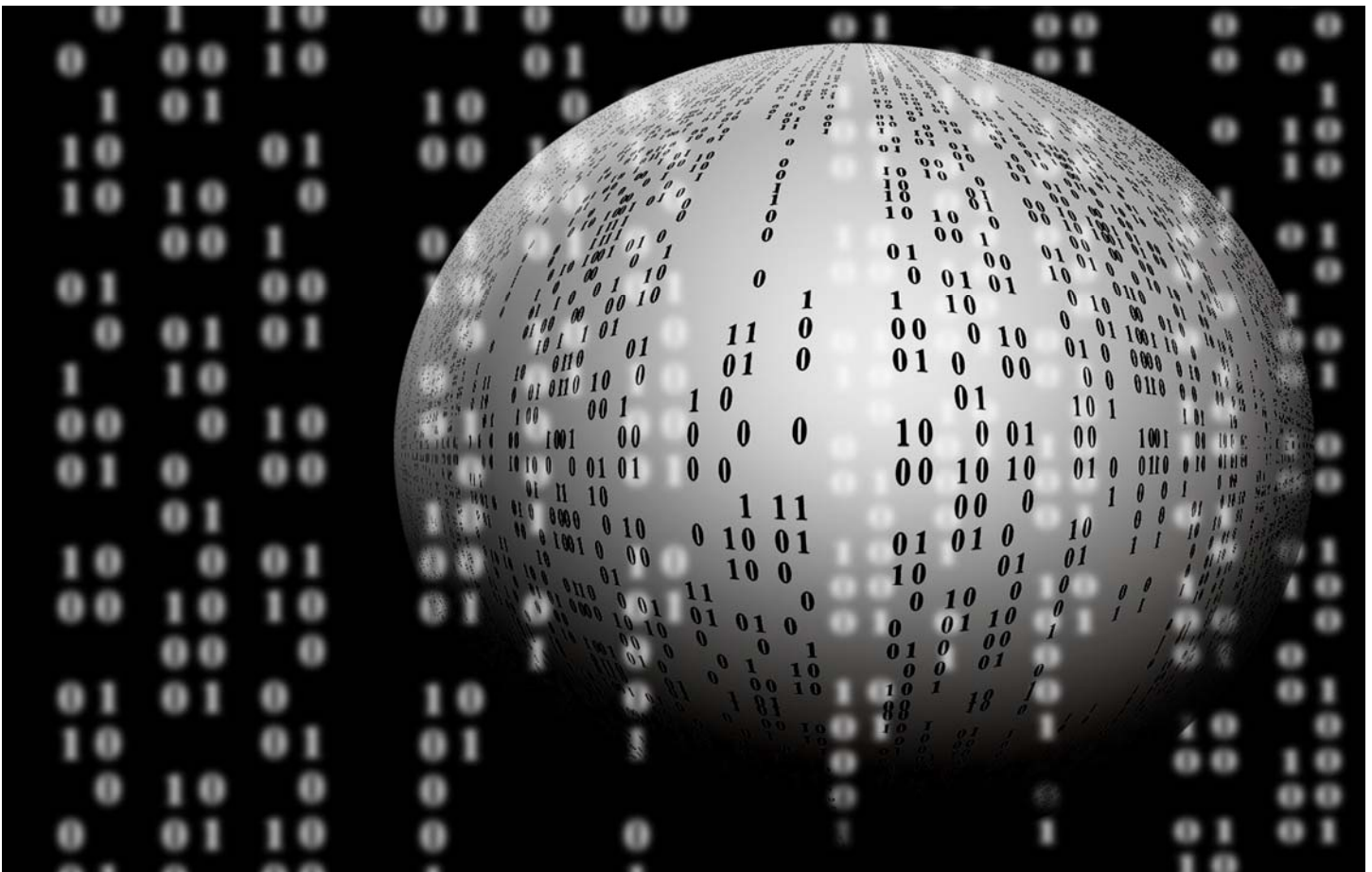
PROGRAM GOALS & OBJECTIVES FOR 2015-2017 BIENNIUM

Division of Business and Program Management

Staff surveys: The Commission will launch two, targeted surveys to gage employee satisfaction and technology usage practices. The data collected will help with better strategic business planning.

Focused branding: The Commission will pursue a complete logo and website redesign that better focuses content in the utility and consumer categories.

STAR: The Commission will continue its participation in the STAR transition, having already successfully launched the financial interface. Release 2 is slated for a January 2016 launch.



PROGRAM GOALS & OBJECTIVES FOR 2015-2017 BIENNIUM

Division of Regional Energy Markets

Monitoring Government and other Regulatory Bodies: The Commission will continue to track issues through MISO, OMS, the FERC and other organizations and agencies in order to advance the interests of Wisconsin and Wisconsin ratepayers. Staff will review and analyze regulatory orders and actions that impact Wisconsin and provide policy advice to the Commission.

Maintaining influence within MISO, OMS and other Regional Transmission Organizations: The Commission currently holds leadership roles in OMS workgroups that directly advise MISO on transmission planning, generation resources, renewable energy, wholesale market issues and governance matters. These leadership roles are expected to continue through the biennium, ensuring that Wisconsin's interests are represented.

Strengthening an already strong stakeholder process: The Commission has established a regular schedule of meetings with state utilities, transmission developers, consumer advocacy groups and others to foster communication and dialogue on a wide range of wholesale energy issues. This stakeholder process will continue to evolve and improve.

Research and Analyze: The Division will provide in depth economic and engineering research related to wholesale energy markets, including transmission planning and resource adequacy in an environment that is dynamically changing due to legislation, executive orders and initiatives undertaken by any organization that impacts the wholesale energy markets.

Cybersecurity: The Division will coordinate with key utility stakeholders, as well as the State of Wisconsin regarding all aspects of cybersecurity including coordination on matters before the North American Reliability Corporation (NERC) and provide reporting to the Commission on developments that impact delivery of safe and reliable utility services.

Development of SEA 2022: The Commission is beginning work on the Strategic Energy Assessment 2022, which considers issues in Wisconsin related to maintaining a balanced energy portfolio, stable rates for customers, and sustainable practices regarding power in Wisconsin's future. The SEA explores these key issues to ensure better planning and the integration of electricity generation and transmission in the years to come.



FLEXIBLE-TIME WORK SCHEDULES AND OTHER ALTERNATIVE WORK PATTERNS FOR 2015-2017 BIENNIUM

The Commission has had success working with staff and management in creating flexible-time and other alternative work patterns over the previous biennium.

The Commission has historically been very generous in the application of its alternative work patterns and continues to be so with its high-performing staff. As flexible schedules and alternative work patterns are a benefit for those staff that achieve the Commission's core values, the Division of Business and Program Management is in the process of revising our current policy related to flex-time and other alternative work patterns.

When a new policy has been approved and is being utilized, employees that choose to use flexible-time schedules or other alternative work patterns will submit annual schedules for supervisor review and approval.



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