



We Energies
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Public Service Commission of Wisconsin
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September 15, 2015

Ms. Sandra J. Paske
Secretary to the Commission
Public Service Commission of Wisconsin
Post Office Box 7854
Madison, WI 53707-7854

Dear Ms. Paske:

Application of Wisconsin Electric Power Company, As a Steam Heating Utility, for Authority to Modify or Relocate Existing Steam Distribution Facilities Associated with Construction of the Milwaukee Streetcar Project, in the City of Milwaukee, Milwaukee County, Wisconsin

Pursuant to §196.49, Wis. Stats., and PSC § 140.02, Wis. Adm. Code, Wisconsin Electric Power Company (“Wisconsin Electric” or “the Company”), a Wisconsin public utility doing business as We Energies, applies for authority to modify or relocate existing, steam distribution facilities that are presently located within or adjacent to the proposed route of the City of Milwaukee’s Streetcar Project (the “Streetcar Project”) in downtown Milwaukee.¹ The proposed Streetcar Project lies within an area roughly bounded by St. Paul Avenue on the South, East Ogden Avenue on the North, North 4th Street on the West, and North Prospect Avenue on the East. This area is located completely within the Company’s existing steam service territory.

Purpose and Necessity of the Project

The City of Milwaukee proposes to construct the Streetcar Project between 2016 and 2018. The first phase (“Phase 1 Starter Route”) of the construction is the original 2.1 mile route extending from North Prospect Avenue at East Ogden Avenue to North 4th Street and St. Paul Avenue. In addition, the City is also proposing a second route referred to as the Lakefront Line Route. The Lakefront Line Route is planned to be a 0.8 mile loop connecting to the Phase 1 Starter Route, running along East Michigan Street, Lincoln Memorial Drive, East Clybourn Street and North Broadway Street. Please refer to Appendix A for a map of the Phase 1 Starter Route and the Lakefront Line Route.

In certain locations, existing steam distribution facilities will be in conflict with the Streetcar Project track bed or within six feet either side of the centerline of the Streetcar track. Wisconsin Electric will modify or relocate such steam distribution facilities to accommodate installation of the new Streetcar Project track bed

Modified steam distribution facilities will be in-kind with no system betterment. The total project cost is estimated at approximately \$6.0 million.

¹ Under Wisconsin Administrative Code PSC 112.05, Commission authorization is required prior to a public utility’s work related to a “distribution system extension, conversion to a higher voltage or conversion from overhead to underground.” Since the modification or relocation of the Company’s electric distribution facilities for the Milwaukee Streetcar project does not fall within any of these categories, the Company is not filing an application for Commission approval of this work.

The modification and/or relocation of steam distribution facilities to accommodate the Streetcar Project is reimbursable from the City of Milwaukee. In the 2013 biennial budget bill, 2013 Wisconsin Act 20 (Act 20), the state Legislature amended the statutes regarding the reasonableness of municipal regulations that require payment of modification or relocation costs to accommodate an urban rail transit system. By these amendments the Legislature declared:

SECTION 1978t. 182.017(8)(as) of the statutes is created to read:

182.017(8)(as) Notwithstanding sub. (2), a municipal regulation is unreasonable if it requires a company to pay any part of the cost to modify or relocate the company's facilities to accommodate an urban rail transit system.

SECTION 1989t. 196.58(4)(c) of the statutes is created to read:

196.58(4)(c) Notwithstanding s. 182.017(2), a municipal regulation is unreasonable under par. (a) or (b) if it requires a public utility, telecommunications provider, or video service provider to pay any part of the cost to modify or relocate the public utility's, telecommunications provider's, or video service provider's facilities to accommodate an urban rail transit system, as defined in s. 182.017(1g)(ct). 2013 Wisconsin Act 20 (effective July 2, 2013).

In its Final Decision dated August 29, 2014², the Commission declared void the Milwaukee City ordinance and resolution related to the funding of the Streetcar project but which did not include any costs to pay utility relocation costs and also declared unreasonable, any "current or future municipal regulations defined by Wis. Stat. Sect. 182.017(g)(bm)... that require [Wisconsin Electric] to pay any amount [of] modification or relocation costs to accommodate the Streetcar Project". The City of Milwaukee has filed a petition for judicial review in Milwaukee County circuit court challenging the Commission's decision that the City pay for the utility costs for relocation or modification. The petition is currently pending in circuit court.

In advance of the Company performing the detailed engineering work associated with the Streetcar Project, the Company and the City of Milwaukee executed an agreement whereby the City reimburses the Company for the design costs of the Phase 1 Starter Route and the Lakefront Line Route. The agreement covers the design scope, schedule and costs as well as reimbursement by the City for these costs. The agreement is attached as Appendix B. In addition, in advance of future work related to the actual relocation and modification of utility facilities to accommodate the construction of the Streetcar, the Company will enter into a future agreement with the City.

Description of Project

Relocation of steam distribution facilities is tentatively scheduled to occur during the non-heating months of 2016 and 2017. The Company will coordinate with the City of Milwaukee to relocate facilities in corridors prior to construction of the Streetcar track bed. The Streetcar Project route is broken into two route segments: The Phase 1 Starter Route and the Lakefront Line Route, as shown in Appendix A.

There are numerous locations along the Streetcar Project route where installation of the track bed will impact existing steam distribution facilities installed within the public roadway. The scope of work for the Company's steam project includes relocating steam manholes or access to the manholes, relocating or removing steam main distribution piping and steam service laterals. A street-by-street summary of the anticipated work scope is follows:

² See Docket 05-DR-109, Petition of Brett Healy for Declaratory Ruling to Determine Allocation of Costs for Utility Relocation of Utility Structures for Milwaukee Streetcar Project

Phase 1 Starter Route Work Scope

On East St. Paul Avenue, the Company will relocate one (1) 16" LP steam main at the intersection of North Water Street. A portion of a service lateral will also be removed.

On North Milwaukee Street, the Company will modify the tunnel access shaft at the intersection of East Mason Street. We will also relocate two steam service laterals, and remove portions of two service laterals.

On East Kilbourn Avenue the Company will remove portions of 6" and 12" LP steam mains.

On North Jackson Street, the work scope includes relocation of a steam manhole and associated piping at East State Street, demolition of a manhole and associated piping at East Juneau Avenue, and removal of approximately 500 feet of steam main and laterals.

On East Ogden Avenue, the Company will demolish two steam manholes (at Cass and Marshall Streets) along with associated piping.

On North Broadway Street, the work scope includes relocation of a 16" LP steam main at the intersection of East Michigan Street, and the removal of portions of five steam service laterals.

Lakefront Line Work Scope

On East Michigan Street, the Company will relocate a steam manhole and associated piping at the intersection of North Jackson Street, and will remove a steam manhole near the intersection of North Cass Street.

On East Clybourn Avenue, the Company will remove portions of three steam service laterals.

As the project design progresses, the Company will work with the City of Milwaukee to modify designs if necessary and minimize the impact to existing steam facilities.

Project Schedule & Timing

The anticipated in-service date for the Milwaukee Streetcar is 2018. To support this schedule, detailed engineering commenced in late July, 2015 with construction beginning early 2016 and continuing through 2017. Steam construction will not take place during the typical heating season. Thus, Wisconsin Electric respectfully requests a decision and order by January 1, 2016 to support the City of Milwaukee's construction schedule.

Project Cost and Financing

Wisconsin Electric estimates the total cost of relocating steam distribution facilities to be \$5,989,000, detailed as follows:

Phase 1 Line:

<u>Cost Item</u>	<u>Amount</u>
Materials and Construction (Contractor)	\$1,502,000
Removal:	\$3,319,000
Engineering, Drafting and Inspection:	<u>\$351,000</u>
Total Capital Cost:	\$5,172,000

Lakefront Line:

<u>Cost Item</u>	<u>Amount</u>
Materials and Construction (Contractor)	\$231,000
Removal:	\$531,000
Engineering, Drafting and Inspection:	<u>\$55,000</u>

Total Capital Cost:

\$817,000

There will be no AFUDC or O&M costs associated with this project. While the estimated costs are already conservative, an overall 40% contingency was added to the estimate. The Company is confident of the estimated cost proposed for the project but it is not entirely in our control because the relocation and replacement is based on the City's current project scope and schedule. If design changes are made by the City that result in increased costs to the Company, we expect the City to reimburse Wisconsin Electric for those changes. Therefore, the project cost will have no effect on steam rates.

Description of Property to be Retired

The proposed facilities are to be retired and their gross book costs are as follows:

<u>Plant Account</u>	<u>Description</u>	<u>Value</u>
37600	Mains	\$85,850.99
38000	Services	\$44,126.24

Effect of the Project on Cost of Operation and Reliability of Service

This project is driven by the City's proposed Streetcar project with the actual costs of utility relocations to be borne by the City. On that basis, Wisconsin Electric believes that the proposed project is the most advantageous means of discharging its obligation as a public utility. The project will ensure the ongoing availability and reliability of steam supply to its downtown Milwaukee customers. The project will not provide facilities in excess of present and probable future requirements. When placed in operation, the proposed project will not result in annual cost disproportionate to the service value of the work to be performed.

Alternatives Considered

Wisconsin Electric has worked extensively with the City of Milwaukee to minimize the impacts to the steam facilities. Various streetcar route changes have been proposed and evaluated for impacts. Ultimately, facility relocations and replacements are dependent on the routes and arrangements proposed by the City for the Streetcar Project. Collectively, the Company and the City arrived at the best compromise within the parameters of the Streetcar Project. Where appropriate, we have considered retirement, removal, and modification of facilities instead of relocation.

Entities Affected by the Proposed Project

Implementation of the Company's project will require periodic steam service outages to customer premises. Where outage work is required, Company representatives will coordinate the schedule and duration of the outage directly with the customer to minimize disruptions.

Modification and relocation of steam distribution facilities will occur in advance of the Streetcar Project construction. The Company is collaborating with the City of Milwaukee to coordinate the work and reduce the cost of street restoration. The City of Milwaukee will require construction, plumbing, electrical, occupancy and power piping permits. As the anticipated work is within existing road right-of-way, no additional easements are expected.

There are numerous public and private utilities also affected by installation of the streetcar.

Environmental Screening Information

Pursuant to PSC 4.10(3), Wis. Adm. Code, this project is categorized as a Type III action and, as such, does not normally require an Environmental Assessment or an Environmental Impact Statement. The areas affected by this project are primarily previously disturbed areas in an urban setting. There are no

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woodland or agricultural lands that would be directly affected. Potential construction areas have typically been subject to significant prior construction and restoration. Consequently, it is very unlikely that this project would have an effect on any threatened, endangered, or special concern species. Similarly, due to the level of previous disturbance, no archaeological resources are anticipated to be impacted.

The City of Milwaukee in cooperation with the Federal Transit Association, U.S. Department of Transportation, has completed an environmental assessment for the Streetcar Project which encompasses the impacts associated this pipeline relocation and replacement in the Phase 1 Starter Route work. Sections of the Lakefront Line Route which were not included in the Phase 1 Starter Route assessment scope are yet to be completed by the City. Wisconsin Electric has performed its own review of the Lakefront Line Route to support this filing.

Because the project will require excavation to install steam facilities in streets in the urban Milwaukee area, there is a potential that some of the excavated materials may exhibit contamination. The Company will perform appropriate screening and testing for contaminated materials and ensure that any materials that must be disposed of are handled in accordance with applicable DNR regulations and local ordinances. Complete environmental screening information is attached as Appendix C.

If you have questions about this project or require any additional information, please contact David Butschli at 1-414-221-2550.

Sincerely,



James A. Schubilske
Vice President
State Regulatory Affairs

Attachments