



Public Service Commission of Wisconsin

Daniel R. Ebert, Chairperson
Robert M. Garvin, Commissioner
Mark Meyer, Commissioner

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

The Honorable Jim Doyle, Governor of Wisconsin
The Members of the Legislature
The People of Wisconsin

Re: Public Service Commission of Wisconsin's 2003-2005 Biennial Report

The attached 2003-2005 Biennial Report describes the scope and nature of activities of the Public Service Commission during the 2003 biennium. The report outlines PSC's organization and highlights the performance and improvements of the agency during that time.

The PSC has made steady progress in responding to Wisconsin's growing energy, telecommunications, and water and sewer needs. The Commission approved over \$2 billion in new generation in the 2003 biennium, implemented great programs such as Wireless Enhanced 911, and worked with the Legislature to enact needed policy changes and strategic planning processes.

The PSC is on the right path in meeting the goals of Governor Doyle's administration. This report provides a good summary of PSC's functions mandated by the state Legislature and captures the agency's progress in fulfilling the roles and responsibilities in state government.

Sincerely,

Daniel Ebert
Chairperson

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Commission



Chairperson Daniel Ebert

Term expires: March 2009

Governor Jim Doyle appointed Dan Ebert Chairperson of the Public Service Commission of Wisconsin (PSC) in April 2005.

During his tenure at the PSC, Chairperson Ebert has focused on the challenges of implementing a regional wholesale electric market and ensuring that the new system is providing real benefits for Wisconsin ratepayers.

Chairperson Ebert has served on the Organization of MISO States (OMS) Board of Directors since 2005. In 2005, he served as OMS Vice-President and represented the OMS on the MISO Advisory Committee.

Chairperson Ebert has also made a balanced energy system a priority for the agency, working closely with the Governor's Task Force on Energy Efficiency and Renewables and legislators on implementing legislation. Increasing energy efficiency and meeting the new renewable energy portfolio standard will continue to be one of Dan's priorities.

Prior to his appointment, Chairperson Ebert served as the Executive Assistant to former PSC Chairperson Burnie Bridge. Before joining the PSC, he also served under the Doyle Administration as the Transition Personnel Director.

Chairperson Ebert has extensive experience in government service, public administration, and policy development, focusing on utility, energy, and telecommunications issues. He worked in both the U.S. Senate and the U. S. House of Representatives and served as the Legislative Director for Senate Energy and Natural Resources Committee member Maria Cantwell (D Washington). Chairperson Ebert was also the Executive Director for the nation's first internet focused trade association, Net Coalition.com, and served as the Country Director for the National Democratic Institute in Kiev, Ukraine.

A Wisconsin native, Chairperson Ebert grew up in Watertown, Wisconsin, and received a Bachelor of Science Degree in both Political Science and Economics from the University of Wisconsin Whitewater.



Commissioner Robert Garvin

Term expires: March 2007

During his tenure at the PSC, Commissioner Garvin has adjudicated major regulatory decisions that have fundamentally transformed the energy marketplace in Wisconsin. Since 2001, the Commission has approved the creation of Wisconsin's stand-alone transmission company and construction approvals that have resulted in the construction of over \$4 billion of new transmission and generation facilities to meet Wisconsin's growing energy needs. This includes the construction of \$3 billion of new coal-fired generation, the largest transmission project in state's history, implementation of the state's renewable portfolio standards and greater energy efficiency standards.

Commissioner Garvin is a recognized leader in the promotion and development of wholesale electricity markets in the upper Midwest that benefit Wisconsin consumers. He was elected by state regulators in 2004 to serve a one-year term as Vice-President and lead Wisconsin representative within the Organization of MISO States (OMS), consisting of fourteen states and one Canadian province, to represent them in matters before the Midwest System Operator, Inc. (MISO) Advisory Committee and the Federal Energy Regulatory Commission. As the OMS Vice President in 2005, he led efforts to ensure that MISO developed and satisfied critical readiness metrics in advance of the start-up of MISO's day-ahead and real-time energy markets on April 1, 2005.

Commissioner Garvin was appointed Commissioner of the Public Service Commission by Governor Tommy Thompson in March 2001. Prior to his appointment, Commissioner Garvin served as the Executive Assistant to the PSC Chairperson.

Commissioner Garvin has an extensive background working on energy issues and with Wisconsin utilities and consumers. Before joining the PSC, Commissioner Garvin served as the Legal Counsel and Policy Director to the Speaker of the Wisconsin State Assembly. He previously worked as the Legal Counsel and Manager of Governmental Affairs for Wisconsin Public Power Incorporated, a wholesale electric supplier for over 30 municipalities in Wisconsin.

Commissioner Garvin currently serves on the National Association of Regulatory Utility Commissioners Board of Directors; Electricity Committee, Finance and Technology Committee, Subcommittee on Nuclear Issues-Waste Disposal and on the Clean Coal Technology Steering Committee.

Commissioner Garvin received both his Bachelor of Arts and law degree from the University of Wisconsin-Madison in 1988 and 1992.



Commissioner Mark Meyer

Term expires: March 2011

Mark Meyer was appointed Commissioner of the Public Service Commission by Governor Jim Doyle in September 2004.

Commissioner Meyer has an extensive legislative background, serving in both the State Assembly and Senate and previously working in the U.S. Congress.

Before joining the PSC, Commissioner Meyer served as Senator for the 32nd Senate District in western Wisconsin. As Senator, Commissioner Meyer served on numerous legislative committees including the Energy and Utilities, Transportation and Information Infrastructure, and Economic Development, Job Creation and Housing committees. He also served on the State Building Commission.

Prior to assuming duties as Senator in January 2001, Commissioner Meyer served in the Wisconsin State Assembly representing the 95th Assembly District for eight years. He also worked in Washington, D.C. for U.S. Senator Bill Proxmire, was the Director of Field Operations for the State Medical Society, and served on the La Crosse City Council from 1985-1989.

Commissioner Meyer attended American University in Washington, D.C. and earned his Bachelor of Science degree in Political Science from the University of Wisconsin-La Crosse in 1988.

Agency Overview

The Public Service Commission of Wisconsin touches the lives of every person in Wisconsin. The agency is responsible for regulating over 1,100 Wisconsin public utilities which provide daily necessities such as electric, heat, telephone and water and sewer services to households and businesses throughout Wisconsin.



The Commission's mission is to ensure that reliable, safe, sufficient, and reasonably priced service is provided to all of Wisconsin's utility customers.

The Commission sets utility rates and determines levels for adequate and safe service. Other major responsibilities include the approval, rejection or modification of major utility construction applications, and the approval of utility stock issuance and bond sales. PSC staff, under the direction of three Commissioners, also conducts special programs such as research on the cost of providing various utility services. The PSC's regulatory powers and duties extend to:

13	Electric Utilities
7	Water Investor Owned Utilities
11	Gas Distribution Utilities
1	Heating Utility
84	Telecommunications Utilities (11 Cooperatives)
409	Alternative Telecommunications Utilities (ATUs)
71	Sanitary Districts (Water only)
529	*Municipal Utilities, broken down by the following:
512	Water Departments
82	Electric Departments
19	Sewer Departments
30	Telecommunications Departments
1125 total utilities	
*Any one utility may have more than one department.	

A common misconception that citizens have is that the state's 27 electric cooperatives are under the jurisdiction of the Commission. This is not true. Furthermore, the following are not under the Commission's jurisdiction:

- Fuel oil
- Gasoline
- Cell phones
- Propane
- Cable television
- Internet service
- Coal

Gas and Energy

The **Gas and Energy Division** is responsible for all aspects of regulating electric utilities and the provision of natural gas service. PSC approval is required for utilities to change rates, build power plants or construct major transmission lines. The Gas and Energy Division looks at need, alternatives, costs and environmental impacts for construction cases and reviews finances, corporate structure and affiliated interests in rate cases. The Gas and Energy Division provides the Commissioners with information they need in order to make decisions regarding construction and rate cases.

Energy Policy, Planning and Streamlining

Wisconsin's Strategic Energy Assessment – Energy 2010

The Governor called on the PSC to more comprehensively look at energy needs for Wisconsin citizens while developing a Strategic Energy Assessment (SEA). In September 2004, the PSC released *Energy 2010*. The PSC enhanced the assessment process by broadening data requests, looking at energy needs seven years out and encouraging public participation by holding seven public forums throughout Wisconsin. The final SEA clearly identified Wisconsin's energy challenges and focused on three key areas:

1. Improving coordination of transmission and generation investment
2. Maintaining reasonable rates for Wisconsin customers
3. Becoming a leader in energy efficiency and renewable energy resources



Coordination of transmission and generation investment

Wisconsin's transmission system has shown to be reliable in the past. However, the state now faces challenges with its transmission grid and constrained transmission system. To address these issues, the American Transmission Company has proposed completing 70 major transmission projects by 2010. The PSC will closely monitor ATC's plans and all projects will be subject to Commission approval. Recommendations of the SEA included the purchase of better computer modeling and conducting studies of the transmission systems and transmission capacity in Wisconsin.

Maintain reasonable rates

Wisconsin has always had competitive rates, even though the state is far-removed from coal and gas supplies and surrounded by lakes on two sides. The SEA suggests there will be an upward pressure on rates in order to meet reliability and environmental standards due to the major investments in energy infrastructure to meet growing demands. The assessment calls on Wisconsin to make right choices about combinations of power plants, renewable energy, transmission lines and conservation

to ensure that rates are as low as possible and that the power supply remains reliable. One of the recommendations called for a study on how to assess energy costs to the different energy customer classes.

Energy efficiency and renewables

Wisconsin must import fossil fuels, such as coal and natural gas, in order to produce electricity. However, the state has renewable energy sources which are environmentally friendly and sustainable. These include hydro-electric, wind, solar and biomass power. Wisconsin utilities, under the Renewable Portfolio Standard law, must increase the electricity they produce from these sources in annual increments until they reach 2.2% by 2011.

A copy of Wisconsin's Strategic Energy Assessment – Energy 2010 can be found on the PSC's website at: <http://psc.wi.gov/utilityinfo/electric/cases/sea/ind-sea.htm>.

Executive Order 25 – Task Force on Energy Efficiency and Renewables

The PSC worked with the Department of Administration's Division of Energy and the Governor in creating a Task Force on Energy Efficiency and Renewables. The 25 members were charged to find common sense solutions in order to increase energy efficiency and use of renewable energy sources in Wisconsin, and to regain Wisconsin's status as a leader in these areas. Task Force members, representing all perspectives of the energy community, issued a consensus report in October 2004 with a number of recommendations. Following are several of the highlights:

- Increase the statewide renewable portfolio standard to 10% by 2015, but allow utilities flexibility in meeting the standards that account for rate impacts, system reliability problems or siting or transmission constraints.
- Create a stable market for renewable energy by requiring Wisconsin state government to purchase at least 10% of its energy from renewable energy sources by 2011 and 20% by 2020.
- Establish a bio-energy, bio-fuel coordinator position at the Department of Agriculture, Trade and Consumer Protection in order to encourage research and development of renewable systems such as anaerobic digesters.
- Increase energy efficiency by updating the commercial energy code to take advantage of new energy-saving technologies and techniques.
- Leverage state government's purchasing power by directing state agency facilities to exceed the current energy code by 20% and to purchase or lease products and appliances that are energy efficient.



Executive Order 20 – PSC and DNR Cooperative Agreement

In September 2003, the PSC and Department of Natural Resources signed a cooperative agreement to improve the regulatory climate, provide for timely permitting and remove hurdles to investment and upgrades in Wisconsin's electric transmission grid. Under the cooperative agreement, the DNR's permitting process for siting transmission lines and power plants and the PSC's certification process will move simultaneously, cutting the regulatory process nearly in half. In addition, a new energy permitting unit has been formed at the DNR to allow both the DNR and PSC staff to work more closely on the siting process.

Wisconsin Act 89 – The Energy and Transmission Regulatory Reform Act

The Energy and Transmission Regulatory Reform Act builds on the efforts of the PSC and DNR cooperative agreement to streamline the siting process for utility facilities, without compromising environmental standards. The act provides the PSC with authority to access property to obtain important survey information early in the siting process and creates two expedited review procedures: one for upgrades of existing transmission lines on existing corridors and one for adding additional lines to existing poles.

Adding Baseload Generation and Building and Improving Infrastructure

The PSC had not seen baseload generation construction in the past 20 years or any major transmission construction in over 30 years. However, the 2003 biennium was one of the busiest at the PSC. In 2003, the PSC approved over 1,900 megawatts of new electric generation and 226 miles of new transmission line. In 2004, the agency approved over 1,000 new megawatts of capacity and nearly 150 additional miles of new transmission lines. This new generation sets a record for Wisconsin, will help to assure electric reliability throughout the state and helps to update an aging baseload fleet. Several projects were approved under the streamlined process of Wisconsin Act 89, proving the success of the new law.

- Wisconsin Public Service's Weston 4 Power Plant
- Wisconsin Energy Corporation's Elm Road Generating Station
- Sheboygan Falls Power Plant
- Kaukauna's Fox Energy Power Plant
- Forward Energy Wind Center
- Paddock – Wempleton Transmission Line approved
- Construction of the Arrowhead-Weston Transmission Line began

Formation of MISO, Working with FERC and Risk Management

Midwest Independent Transmission System Operator

The Midwest Independent Transmission System Operator (MISO) is a Regional Transmission Organization that oversees the operation of the transmission system in almost all of Wisconsin¹, in parts of 15 other states and the province of Alberta. MISO, which is under the regulatory jurisdiction of the Federal Energy Regulatory Commission (FERC), has the responsibility to maintain transmission reliability, to operate the transmission system safely and to facilitate non-discriminatory access to the transmission system utilities and independent generator owners.

Under a series of orders from FERC, MISO developed a transmission congestion management system, using a bid-based energy market. The centerpiece of the Day 2 Energy Market is Day Ahead, Hourly and Real Time prices. These Locational Marginal Prices (LMPs) are established for over 1,400 locations on the transmission system in the MISO region. Differences in these LMPs represent congestion on the transmission system. That is, the MISO must dispatch power plants with higher costs in certain locations because the transmission system does not have the sufficient capacity to move lower-cost energy to that area.

The PSC, along with other Wisconsin stakeholders, represented Wisconsin's interests at MISO when the Day 2 Energy Market was being developed and when it was under consideration before FERC. The PSC worked to ensure that Wisconsin was not disadvantaged by the implementation.

Federal Energy Regulatory Commission

During the past several years, there has been continuing discussion of the need to coordinate the activities of contiguous states in planning and siting transmission facilities.

In July 2002, the National Governors Association Task Force on Electricity Infrastructure, of which Commissioner Bie was a member, issued a report "Interstate Strategies for Transmission Planning." This report recommended the formation of Multi-State Entities with the purpose of facilitating regional coordination of transmission planning and siting. Later that month, the Federal Energy Regulatory Commission (FERC) issued a Notice of Proposed Rulemaking on Standard Market Design. In the Notice of Proposed Rulemaking, FERC recognized this recommendation in the National Governors Association report and proposed the formation of Regional State Advisory Committees, which would have the responsibility of seeking regional solutions to electric utility issues that fall under federal and state jurisdiction. In April 2003, FERC issued a White Paper on the Wholesale Market Platform that contained further direction on the role of Regional State Advisory Committees in providing guidance to FERC on regional issues that involved shared jurisdiction.

In June 2003, the state regulatory commissions with jurisdiction over utility members of the Midwest ISO formed the Organization of Midwest States. The PSC continues to be an active and vocal participant of this group. The objective of the Organization of Midwest States is to provide a means for these state commissions to act in concert in order to provide policy guidance to the Midwest

¹ All of the transmission facilities in Wisconsin are operated under the auspices of the MISO except those facilities in Western Wisconsin owned by Dairyland Power Cooperative.

ISO and FERC on issues such as pricing, market monitoring, and generation adequacy and to coordinate other activities of mutual interest.

Risk Management

Risk management plans are internal controls for how a company manages and oversees transactions designed to reduce price fluctuations in their purchases of electricity and fuels. These activities may be financial transactions, which look a lot like complex insurance policies, or they may be physical transactions where electricity could be purchased from another generator at a fixed price for a future delivery date. The idea is that customers prefer stable prices and are willing to pay a small premium for stable prices compared to overall slightly lower prices but with lots of price variability.

Having hedges in place can make utilities' rates more reasonable, especially to industrial customers. It also allows utilities to better manage their expenses within the scope of our fuel rules. Risk management activity is also beneficial to utility customers as it reduces price swings and it may reduce overall rates.

The PSC has approved risk management plans from Wisconsin Power and Light and Wisconsin Public Service Corporation. The Commission also extended the previously approved risk management plan for Madison Gas and Electric. Once risk management plans are approved by the Commission, utilities may move the costs and benefits of risk management plans through fuel rules. This will provide a periodic review of market activities, which are necessary, as Wisconsin utilities participate in the new wholesale energy market managed by the MISO.

So far this year, Wisconsin Energy Corporation's risk management plan for gas purchases for electric generation has cost them approximately \$1.2 million in contract charges and has saved them \$3.2 million in gas costs – resulting in a benefit to ratepayers of just under \$2 million. Risk management plans are not guaranteed to have this level of benefits, but this is a running total of the scope that can accrue to Wisconsin ratepayers.

Gas and Energy Division Successes

Cutting Rate Requests and Maintaining Reasonable Rates

Wisconsin's rates remained competitive nationally during the 2003 biennium while going through a major construction cycle. The state ranks in the middle of the 50 states in electric rates – not bad for a state with a constrained transmission system that does not produce fossil fuels and is at the end of the natural gas pipeline. As a recommendation from Energy 2010, the Commission has started to focus more on cost of service and rate design in each rate case.

In 2003, the PSC received requests from major utilities to increase electric and gas rates by \$250 million and approved increases totaling \$200 million, cutting requests by twenty percent. In 2004, the agency received \$340 million in requests and approved nearly \$200 million, reducing requests by over forty percent.

Providing Approval for Needed Baseload Generation and Transmission

In 2003, the PSC approved over 1,900 megawatts of new electric generation and 226 miles of new transmission line. In 2004, the agency approved over 1,000 new megawatts of capacity and nearly 150 additional miles of new transmission lines. This new generation sets a record for the state and will help to provide reliable electric services to Wisconsin utility customers.

Generation and Transmission approved in the 2003 biennium

Utility	Case Number	Project Description	Date Authorized	Cost
MGE	05-CE-121	150 MW natural gas-fired generating plant on UW-Madison Campus	10/9/03	\$109 M
ATC/ WEPCO	05-CE-132	Duplainville 138 kV transmission line and substation in northern Waukesha County	10/13/03 & 7/30/04	\$17.7 M
WEPCO	05-CE-130	Two 615 MW coal-fired generating plants at Elm Road Station in Oak Creek	11/10/03	\$2.15 B
ATC, WPSC & Minn Pwr	05-CE-113	345 kV Arrowhead-Weston transmission line	12/19/03	\$420 M
ATC	137-CE-114	115 kV transmission line near Rhinelander	12/23/03	\$8.2 M
ATC	137-CE-119	345 kV transmission line from Columbia to North Madison	7/22/04	\$30.6 M
WPSC	6690-CE-187	Weston Unit 4, a 515 MW coal-fired generating plant at the Weston Generating Station south of Wausau	10/7/04	\$752 M
ATC	137-CE-132	345 kV transmission line from Wempletown to Paddock	12/17/04	\$5.8 M
Alliant Energy	6680-CE-168	Lease of 300 MW Sheboygan Falls facility	5/18/05	\$155 M

Telecommunications

The **Telecommunications Division** is responsible for overseeing the telecommunications industry in Wisconsin and regulating services and providers that are within jurisdiction. The PSC promotes competition in the state's telecommunications markets in order to ensure access to modern and affordable service throughout the state. The division oversees price regulation and alternative plans of telecommunication utilities, earnings and rate levels, service quality, tariffs and contracts and deployment of telecommunication infrastructure.

The PSC also works to resolve interconnection disputes between service providers, administers universal service programs, manages the E-911 program and advises the Federal Communications Commission on matters pertaining to Wisconsin's interests in federal telecommunications policy.

Streamlining the Regulatory Process

During the 2003 biennium the PSC worked to streamline processes for annual report filings, improve the ability of providers to file reports on-line, and implementing an easy-to-use and expedited method for companies to file a one-page report in lieu of the standard annual report forms. Many telephone companies file tariffs with the Commission and must revise them whenever there is a rate change or new service offering. The PSC implemented an electronic filing system for tariffs and tariff amendments to eliminate the need for paper filings of these items. The agency also helped provide needed information online, including a Local Service Provider map which allows customers to determine which providers are offering service in their locations.



The PSC also worked with the Legislature on a new regulatory system for review of telecommunications Unbundled Network Element cases, setting specific timelines for cases based on the complexity of the case (2003 Wisconsin Act 125). After a completed application is filed under this statute, the Commission must issue a decision within 180 or 270 days, depending on how many rates are covered by the petition. The 180-day period applies to a petition that covers 100 rates or less. The PSC reviewed 27 different SBC Wisconsin wholesale rates under the new regulatory process. Nine of the twenty-seven rates were decreased, including those for high-capacity digital lines. Other rates were increased by between 3% and 28%.

Wireless Enhanced 911

Wireless Enhanced 911 technology allows emergency dispatchers to pinpoint exact locations where wireless calls are made. Without this technology, emergency service dispatchers must obtain the location of a wireless caller verbally. In many instances, callers cannot give their exact location because they are too sick, too injured or they simply do not know their exact location. Examples of these circumstances range from car accidents in remote areas to assaults and abductions. The system also allows for easier location of callers that make false threats.

In August 2004, the Wisconsin Legislature passed and Governor Jim Doyle signed 2003 Wisconsin Act 48 establishing a three year grant program which will help Wisconsin communities cover costs to implement wireless 911. Last fall the Commission adopted rules to address which costs are eligible for reimbursement to local governments and wireless providers.

The PSC has received requests for \$37 million from county government groups and nearly \$65 million from wireless providers. The PSC will determine how to reimburse the 68 counties and nine wireless providers who applied for funds. Once total authorized costs for the program are determined, a uniform monthly surcharge will be set for wireless customers. These charges will sunset in three years.

211

211 is a 3-digit number designated by the Federal Communications Commission for use by callers to reach information and referral providers to obtain information about health, social services or community issues.

In March 2004, the Commission designated 2-1-1 Wisconsin, Inc., as the 211 administrator and coordinator for 211 in the state. All wireline companies in Wisconsin have adapted their networks to route calls to the appropriate 211 call center locations. Today, a 211 call from any wireline phone in Wisconsin will be answered 24 hours a day, 365 days a year. Currently, 2-1-1 Wisconsin, Inc. is working with wireless providers to get wireless 211 capability put into place.

Continuing Telecommunications Consumer Education Efforts

The Commission continues to pursue its efforts to educate Wisconsin citizens regarding telecommunications consumer issues. This has involved producing and updating website and printed material, which contains helpful consumer tips about various telecommunications topics. Of special note is a web-based interactive database that allows consumers to look up what competitors serve their municipality.

Price Regulation Rate Adjustments

Under the price regulation mechanism, in October 2003, the Commission ordered SBC to decrease its rates for price-regulated services by an average of 0.05 percent.

In October 2004, the Commission authorized SBC to increase its rates for price-regulated services by an average of 1.15 percent. To achieve this change, SBC elected to increase its basic residential flat rate from \$8.01 to \$8.20. This was somewhat offset by decreases in the service installation charge from \$21.90 to \$19.30, and the residential Extended Community Calling rate from 2.7 cents to 1.0 cents per minute.

In July 2004, the Commission authorized Verizon to increase rates by 0.49 percent, pursuant to the price regulation formula. To achieve this change, Verizon elected to increase:

- Its residential unlimited rate from \$17.81 to \$17.91,
- Its residential econo pak rate from \$12.50 to \$12.60,
- Its residential value pak rate from \$14.58 to \$14.67, and
- Its small business rate from \$25.87 to \$26.12.

In July 2005, the Commission authorized Verizon to increase rates by 1.41 percent. Verizon has yet to exercise its option to increase rates.

Universal Service Fund

Background

Wisconsin Act 496 was passed by the Legislature and became effective in September 1994. The Act changed the face of telecommunications in Wisconsin. The legislation was based on a three-prong approach, including reduced regulation of many telecommunication service providers, more competition among providers and explicit requirements for consumer protection and universal service.

The concept of universal service became integral for the telecommunications industry in Wisconsin. Universal service gets and keeps people on the network, while making sure all customers, including groups with specific needs, have access to affordable telecommunication services. Act 496 requires the Commission to establish a universal service fund, appoint a Universal Service Fund Council and promulgate rules on universal service including definitions of essential services and advanced service capabilities.

Universal Service Fund Council

Currently, the USF Council has 13 members, with four representing the telecommunications industry and seven representing consumer groups. The PSC Chairperson appoints members to the council for staggered three-year terms. The Council advises the Commission on the administration of the Universal Service Fund and on proposed rule changes. The Council meets at least two times per year and provides public notice for its meetings.

Program Objectives

The purpose of the Universal Service Fund is to provide funds for programs to:

- Assist customers that have relatively high costs of telecommunications services, low-income customers and disabled customers in obtaining affordable access to a basic set of essential telecommunications services; and to
- Assist in the deployment of advanced service capabilities of a modern telecommunication infrastructure throughout the state.

Major programs under the Universal Service Fund umbrella include:

- Lifeline /LinkUp
- High Cost Rate Assistance
- Public Interest Pay Telephones
- Telecommunications Equipment Purchase Program
- Telemedicine Grant Program
- Nonprofit Access Grant Program
- Newslines for the Blind.

Funding

As provided in state statute 196.218(3), telecommunication providers are required to contribute to the universal service fund. Monthly assessments, based on gross operating revenues and the budget level approved in the state budget are sent to providers. Wisconsin Act 16 capped the assessments for fiscal year 2004 at \$5 million and future assessment levels at \$6 million.

Annual expenditures for the PSC’s portion of the Universal Service Fund for the past biennial match the appropriated amount as follows:

- FY 04 \$5.0 million appropriated; \$5.0 million spent
- FY 05 \$6.0 million appropriated; \$6.0 million spent
- FY 06 \$6.0 million appropriated

USF grants awarded during the 2003 biennium in Wisconsin

Organization	City	Award Amount
Boys/Girls Club of Greater Milwaukee	Milwaukee	\$46,922
Center for Deaf and Hard of Hearing	Brookfield	\$2,400
Central Wisconsin Community Action Council, Inc.	Lake Delton	\$6,680
Community Action Coalition for South Central Wisconsin	Madison	\$31,631
Community Advocates	Milwaukee	\$63,500
Community Housing and Services, Inc.	Madison	\$10,623
Cornucopia, Inc.	Madison	\$2,100
DANenet	Madison	\$79,842
Esperanza Unida, Inc.	Milwaukee	\$15,000
Hunger Task Force of Milwaukee, Inc.	Milwaukee	\$42,500
Independence First	Milwaukee	\$25,000
Independent Living Resources, Inc.	La Crosse	\$31,265
New Concept Self Development Center, Inc.	Milwaukee	\$17,900
Society’s Assets, Inc.	Racine	\$49,150
United Cerebral Palsy of Southeastern Wisconsin	Milwaukee	\$10,000
Western Dairyland Economic Opportunity Council, Inc	Independence	\$12,283

Wisconsin Council of the Blind	Madison	\$11,000
YMCA of Metropolitan Milwaukee	Milwaukee	\$16,204
FY 2003 total:		\$474,000
AGAPE Community Center of Milwaukee	Milwaukee	\$16,094
Boys/Girls Club of Green Bay	Green Bay	\$18,773
Boys/Girls Club of Greater Milwaukee	Milwaukee	\$38,865
Center for Deaf and Hard of Hearing	Brookfield	\$18,668
Center for Deaf and Hard of Hearing	Brookfield	\$2,400
Center for Independent Living for Western Wisconsin, Inc.	Menomonee	\$10,000
Central Wisconsin Community Action Council, Inc.	Wisconsin Dells	\$8,398
Community Action Coalition for SouthCentral Wisconsin, Inc.	Madison	\$27,467
Wisconsin Community Action Program Association	Madison	\$56,103
Community Advocates, Inc.	Milwaukee	\$47,000
Cornucopia, Inc.	Madison	\$2,100
Couleecap, Inc.	Westby	\$13,089
CSD of Wisconsin	Statewide	\$40,000
DANenet	Madison	\$27,168
Esperanza Unida, Inc.	Milwaukee	\$13,334
Hunger Task Force of Milwaukee, Inc.	Milwaukee	\$15,000
Independence First	Milwaukee	\$25,000
Independent Living, Inc.	Madison	\$12,070
Independent Living Resources, Inc.	LaCrosse	\$11,828
Options for Independent Living, Inc.	Green Bay	\$8,924
Society's Assets, Inc.	Racine	\$22,500
Transitional Living Services	Milwaukee	\$18,885
United Cerebral Palsy of Southeastern Wisconsin	Milwaukee	\$9,684
Urban League of Greater Madison	Madison	\$31,790
Worry Free In-Home Care	Gillette	\$4,860
FY 2004 total:		\$500,000

Water, Compliance and Consumer Affairs

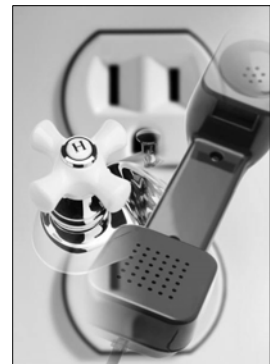
The **Division of Water, Compliance and Consumer Affairs** is responsible for regulating water and sewer public utilities in Wisconsin and ensuring utility compliance with the consumer sections of state administrative code and statutes. The division offers assistance to all of the state's utilities for compliance with the statutes, code, and record keeping requirements and the development of consumer affairs policies. The division also coordinates consumer information and mediates resolutions to consumer complaints.

Water Regulation

This biennium, the PSC reviewed and approved 99 water-related construction projects totaling over \$232 million. The agency also processed 122 simplified rate cases and 124 conventional rate cases. The average time to process a simplified rate case application was 18 days.

Accounting Treatment for Contributions in Aid of Construction

The Commission opened a landmark docket – Accounting Treatment for Contributions in Aid of Construction – to determine if the present accounting and ratemaking for Contributions in Aid of Construction (CIAC), was adequate. The new treatment was effective on January 1, 2003 and further accounting revisions were authorized on September 9, 2004. The Commission continues to assist municipal utilities in recording CIAC under the new rules.



Benchmarking Water Utility Operations

More and more water utility managers are comparing their operations with others to measure their own efficiency. To assist in this effort, annual water utility benchmarks are developed based upon the utilities' filed annual reports. These benchmarks are online for use at the Commission's website, at: <http://psc.wi.gov/utilityinfo/water/newsinfo/Benchmark.htm>.

Simplified Rate Cases

A statutory provision adopted in 1995 allows for inflationary rate increases without a hearing for qualifying municipal water and sewer utilities. In this recent biennium, municipal utilities continued their use of this convenient tool. In the two-year period, applications were filed by 122 utilities.

Water Rate Cases

During this biennium, 124 water and sewer rate cases were filed. These cases were all filed electronically and processed using the Commission's automated municipal water and sewer rate case processing procedures.

Compliance and Consumer Affairs

In 2004, PSC Consumer Affairs fielded 7,696 contacts from consumers with concerns, problems or questions about their utility services. The agency also recovered nearly \$430,000 for consumers who had disputes with their utility service. Of the total 7,551 complaints filed by customers, 6,266 were coded as being “resolved to the customer’s satisfaction.” The PSC made numerous educational presentations to both consumer and utility groups and distributed approximately 13,000 brochures and other educational materials.

Annual Complaint Totals by Industry

Electric and Gas Utilities	2003	2004
Madison Gas & Electric	168	135
Xcel Energy	111	90
We Energies	2,989	3,220
Alliant Energy	451	460
Wisconsin Public Service Corp.	220	469
Local Exchange Provider	2003	2004
SBC	1,350	977
CenturyTel of Wisconsin	358	280
Verizon North Inc.	165	221
TDS Telecom	17	18
Frontier Communications	19	22
Competitive Provider	2003	2004
TDS Metrocom	139	125
MCI Worldcom	492	257
AT&T Communications	11	342
McLeod USA	129	36
US Exchange	37	20

Administrative Services

The **Division of Administrative Services** provides the agency with human resources, information technology and business management services. These services include; employee training, recruiting and benefits, coordinating affirmative action and equal employee opportunity programs, managing technology, budget development and records management.

Website Redesigned to Provide Public with More Information

Electronic Regulatory Filing System Implemented

The Electronic Regulatory Filing system (ERF) is a major step in providing public transparency to the PSC regulatory process. All information filed in connection with cases before the Commission can be easily accessed through this system on the PSC's website. ERF not only provides more information to the public, but it also reduces the time necessary to make decisions on proposed actions. The system allows the PSC to receive, circulate, process and publish documents electronically.

Approximately 1000 documents are filed every month in this manner. The documents are then made available online to both PSC staff and the public in a matter of minutes. The system includes a subscription service so that users can be notified by email when documents have been filed that match on which areas they are interested. The system also has a powerful search tools which allow users to search for documents of interest. The system has achieved many benefits, including dramatically reducing costs to the agency and its customers by reducing the need of paper, postage and courier services.

The system has proven to work so well that the Center for Digital Government awarded the PSC the 2005 Digital Government Achievement Award in the Government-to-Business category.

Website Redesign

The PSC implemented a website redesign to help facilitate the new filing system. The project has not only made the agency's website more appealing, but it has also provided a better balance between information and applications. The agency has received positive feedback on how easy the website is to use. The website redesign team continues to discuss what other improvements are needed in order to meet the needs of citizens and utilities that use the website.



Other Information Technology Efforts

During the 2003 biennium, the PSC upgraded server hardware and software, bringing all mission-critical systems to 100% working level. These enhancements to the network infrastructure also substantially increased the speed of network applications – allowing staff’s work to be completed more efficiently.

The PSC continually maintains software on employee desktops, and continued to do so during the 2003-2005 biennium. Windows XP was upgraded several times and the Office suite was upgraded from the XP to the 2003 version. Since the PSC converted to Windows 2000, it has made use of technology that manages software. This capability was expanded during the past biennium so that all desktop upgrades can be automated, without staff visiting each workstation individually.

Although the Office of Information Technology (OIT) provides network storage for all staff, many staff members have continued to retain some of their work on their local hard drives. During the past biennium, OIT started to back up these local hard drives. When the PSC had a recent spate of hard drives failures, OIT was able to replace the broken drives within a single day, without any loss of files.

Printing capabilities at the PSC were improved during the biennium by bringing two Xerox copying machines online. These are extremely fast printers with collating and copying capabilities, allowing staff to make direct copies of large documents. This saves staff time from copying and distributing documents manually.

Diversity Award

In October 2003, the PSC received the Office of State Employment Relations Director’s “Honorable Mention Award” at a ceremony at the State Capitol. The agency was recognized for implementing a variety of effective, low-cost diversity events. According to the OSER news release, events such as Diversity Week celebrations, a speaker series on diversity topics, and cultural or ethnic displays has helped build an inclusive environment at the Public Service Commission.



A copy of the PSC’s 2003 Diversity Award Application can be seen at the Office of State Employment Relations website at: <http://oser.state.wi.us>.

Affirmative Action

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

The council participated in a variety of program activities during the 2003 biennium, including:

- **TopJobs summer affirmative action program**

This statewide program provides valuable training, experience, and exposure to the Wisconsin civil service system for minority and women students and students with disabilities. In the summer of 2004, the agency employed two student interns in the Telecommunications Division and the Division of Water, Compliance, and Consumer Affairs. In May of 2005, the agency hired three summer interns, one each in the Gas and Energy Division, Office of General Counsel, and Division of Water, Compliance, and Consumer Affairs.

- **Career Day in April 2005**

In conjunction with the national "Take Our Daughters and Sons to Work Day" program, a total of 14 children attended the event. The agency sponsored an educational fair, pizza lunch, and a variety of fun-filled interactive workshops for the children and parents.



- **Diversity Week celebrations in October 2003 and October 2004**

In addition to hosting ethnic potlucks each year, training workshops were provided on topics such as Amish/Mennonite Cultures, Indian Nations of Wisconsin, Midwestern Folklore, Alaska Native Indian Culture, and Aging Demographic Profile of the United States. Several staff members attended the variety of potlucks and workshops. Many that attended provided very positive feedback on how educational the events were.

Allowing Flexible Work Schedules and Alternative Work Options

The Commission continues to have a strong Alternative Work Patterns program with a high rate of staff participation. Of the Commission employees, approximately 73 percent work a nonstandard or flexible schedule. Only 23 percent of employees work a standard 7:45 a.m. to 4:30 p.m. Monday through Friday schedule. Four percent work a part-time schedule, varying from half time to 90 percent. Alternative Work Patterns benefits the agency and employees alike and maximizes the employment options available to existing and potential state employees.

Operations of the Agency

Commissioner Appointments

In August 2004, Governor Jim Doyle appointed Mark Meyer as one of three PSC Commissioners. Mark brings years of legislative experience, as well as a commitment to providing affordable and reliable energy to Wisconsin citizens.

Daniel Ebert was appointed Chairperson of the Public Service Commission by Governor Jim Doyle in April 2005. Prior to his appointment as Chairperson, Daniel served as the Executive Assistant to former PSC Chairperson Burnie Bridge. Daniel has extensive experience in government service, public administration and policy development, focusing on utility, energy and telecommunications issues.

Combining Gas and Energy Divisions

Effective March 2004, the Gas and Energy Divisions merged and became one division within the agency. Since the majority of large energy utilities provide both electric and natural gas service, this merger of staff resources created a more efficient environment where resources address both electric and natural gas issues and cases. During times of heaviest workload, the combined division offers more resources to aid the Commission in developing a thorough product on a timely basis. In addition, the agency was able to eliminate two management positions.

Eliminated positions

During the 2003 biennium, the PSC consolidated various agency functions in order to absorb the elimination of 11 staff positions. These positions were able to be eliminated because of efficiencies created throughout the agency, especially through the electronic regulatory filing system which eliminated the need to copy and file thousands of pages of documents. For example, two of these positions were management level positions available because of the consolidation of the gas and electric divisions. The elimination of the 11 positions resulted in a \$472,100 savings to state ratepayers. However, due to the heavy workload of the Gas and Energy Division, core case management positions were largely untouched and have remained consistent over the past 10 years.

PSC Goals and Objectives

The Public Service Commission of Wisconsin works on a daily basis to provide for reliable utility services at reasonable rates. As an independent entity, the Commission reviews and decides hundreds of utility applications regarding construction of facilities, rate recovery and other transactions. The PSC follows a process established by statute and administrative law that encourages public participation and provides for a level playing field for everyone involved in each case. Nearly 800 contested cases are filed with the PSC each year.



During the 2003 biennium the PSC and Department of Natural Resources made major strides and in streamlining the energy infrastructure citing process, while maintaining Wisconsin strong environmental standards. By better coordinating the PSC's Certificate of Public Convenience and Necessity process with the DNR's permitting process, the agencies were able to cut overall review time for energy construction projects in half. The agency also worked to reform the regulatory process for reviewing wholesale rates in telecommunications cases.

Another major PSC accomplishment was the implementation of the Electronic Regulatory Filing System. The technology provided multiple benefits. First, it provided for a more transparent regulatory process, making everything that is filed in a case available to the public. Second it provided a more streamlined process for filings in each case, significantly cutting the amount of paper, time and resources previously required for the agency, applicants and advocacy groups.

In addition to the day-to-day work of the PSC, the agency is also involved at the state, regional and federal level to help keep Wisconsin's energy policy on track through planning, working with other states in the region and partnering with the public and stakeholders. The major goals and objectives the PSC established in the 2003 biennium include continuing to improve energy planning, increasing energy efficiency and renewables and pushing for benefits in the new regional wholesale energy market.

Strategic Energy Assessment Helps Set Goals

In 2003, the PSC expanded the Strategic Energy Assessment to make it more comprehensive and far-reaching. The timeframe researched was expanded from three years to seven years, more policy issues were explored and public participation increased dramatically.

The Final Strategic Energy Assessment released in 2004, *Energy 2010*, helped increase the dialogue on energy across the state and served as a useful tool in setting three main areas of focus:

1. Improve coordination of transmission and generation investment
 - o The PSC conducted a formal review, including public comment, of the American Transmission Company's ten-year transmission plan.
 - o The PSC opened an investigation to determine the optimal ability of the state to transfer energy within Wisconsin and with our neighbors.

2. Maintain reasonable rates for Wisconsin customers
 - The PSC worked with the Governor and Legislature on legislation creating a new rate-based financing tool for construction of power plants that will provide certainty to investors while lowering the impact on ratepayers.
 - The PSC looked for ways to improve rate impact evaluation in rate cases by looking at cost of service to different customer groups.
3. Lead the way in energy efficiency and renewable resources
 - The PSC supported the Governor's Energy Efficiency and Renewables Task Force recommendations to ensure Wisconsin is a leader in the area of energy efficiency and renewable energy.
 - The PSC, through the Task Force, explored more effective methods of implementing Wisconsin's Energy Priority Act.

The PSC will continue to work to make the Strategic Energy Assessment a valuable energy planning and policy tool.

Energy Efficiency and Renewables Provide a Balanced Energy Policy for Wisconsin

Wisconsin is in the middle of an unprecedented energy building cycle, making the necessary investments to the states energy infrastructure to meet growing demand. According to the Strategic Energy Assessment demand for electricity will grow by 2 percent per year or one new baseload power plant every two years.

Wisconsin needs a strong energy efficiency and renewable energy strategy to help balance the current building cycle and Wisconsin's strong dependence on fossil fuels to generate electricity.

The recommendations of the Governor's Task Force on Energy Efficiency and Renewables provides the basis for the most sweeping energy policy in Wisconsin. The consensus package helps to make Wisconsin a national leader in energy efficiency and renewables.

A major goal of the PSC is to work to improve and increase energy efficiency programs in Wisconsin and to increase the use of Wisconsin's home-grown, sustainable energy-producing resources as laid out by the Task Force and the implementing legislation.

Assuring Wisconsin Benefits from a Regional Energy Market

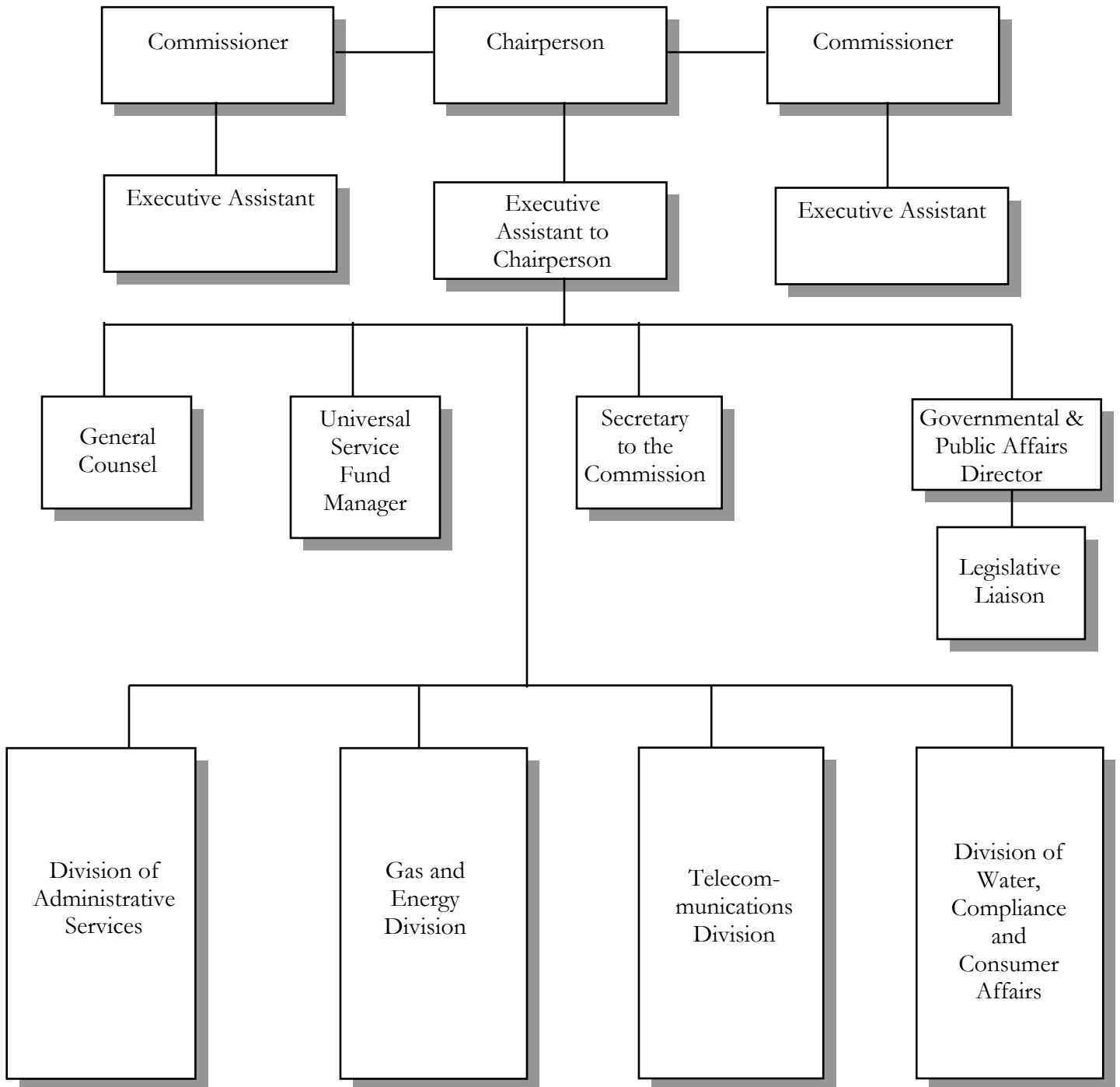
One of the most significant changes in Wisconsin's energy system is the new regional wholesale energy market. On April 1, 2005, the Midwest Independent Transmission System Operator (MISO) started the Day 2 Market.

Now, MISO centrally dispatches generation and operates the wholesale electric market based on real-time availability of generation and transmission resources across a footprint that includes 15 states in the Midwest and a province in Canada.

The PSC and Wisconsin energy stakeholders have worked together to make sure Wisconsin's voice is heard in this new regional approach to electric wholesale markets and to assure Wisconsin ratepayers benefit. Wisconsin's leadership on MISO issues led to a delay in implementing the new market until it was truly operational and pricing protections were in place for Wisconsin ratepayers.

Another major goal for the PSC is to work with stakeholders and continue to aggressively push MISO to answer in concrete terms the questions that remain regarding the benefits of the regional wholesale market to Wisconsin ratepayers.

Organizational Structure



Contact Information



Public Service Commission of Wisconsin 610 North Whitney Way P.O. Box 7854 Madison, WI 53707-7854	
General information:	608-266-5481 or 888-816-3831
Consumer Affairs:	608-266-2001 or 800-225-7729
TTY:	608-267-1479 or 800-251-8345
Fax:	608-266-3957
E-mail:	pscsecs@psc.state.wi.us
Website:	http://psc.wi.gov/