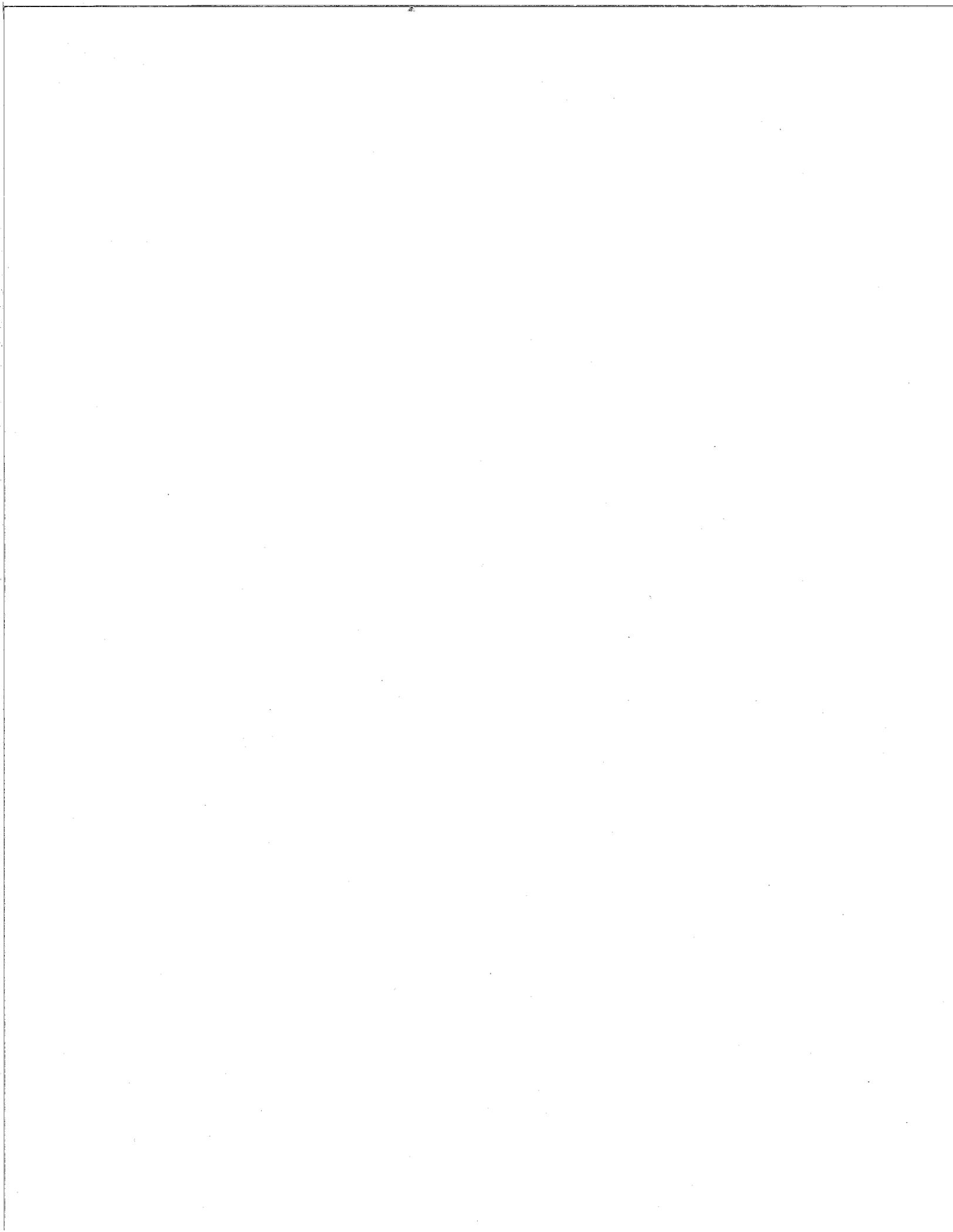




State of Wisconsin
Public Service Commission
of Wisconsin

2001-2003
Biennial Report





Public Service Commission of Wisconsin

Burneatta Bridge, Chairperson
Ave M. Bie, Commissioner
Robert M. Garvin, Commissioner

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

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

Re: 2001-2003 Public Service Commission of Wisconsin's Biennial Report

I am pleased to present the 2001-2003 Biennial Report of the Public Service Commission of Wisconsin (Commission). The report has been prepared in the prescribed manner and highlights the administrative improvements, decisions, and activities of the agency over the last biennium. I believe the report provides a good summary of the Commission's roles and responsibilities as well as the agency's progress in fulfilling the responsibilities mandated by the Legislature.

The 2001-2003 biennium proved to be a critical time for us as regulators to meet significant challenges. The reliability of the electric utility distribution system continues to command considerable attention at the Commission in a number of areas. Wisconsin has made significant strides in modernizing and strengthening its electric system through numerous recent improvements in generation and transmission. An affordable, reliable, and environmentally sound energy policy will ensure Wisconsin's economic future. The ability of the state's electric industry to meet current and future demands for this critical resource will continue to be the Commission's top priority.

In the telecommunications area, the Commission unanimously agreed to advise the Federal Communications Commission that SBC Wisconsin met the 14-point competitive checklist established by Congress to allow the company to enter the long distance market in Wisconsin. The Commission's approval will help ensure that Wisconsin is active in creating a competitive environment so our state has a telecommunications infrastructure that supports high-tech, high-wage jobs and allows businesses and families to choose from a variety of services at competitive rates.

There are several initiatives that were started in this biennium that should help provide affordable, reliable energy as we move forward in the twenty-first century. The Commission is building on its current energy assessment efforts to increase public involvement in statewide energy policy, and to coordinate energy production and transmission throughout the state. The new initiative will look at energy production plans and needs seven years into the future. The new assessment will allow for future coordination between the many energy industry entities—the utilities that distribute power, the companies that produce power, and the independent power marketers. It will also help determine the transmission lines needed to link the power production to the areas of demand.

The Commission will continue to work in coordinating our reviews and creating a new energy permitting unit at the Department of Natural Resources. With the help of the agreement

The Honorable Jim Doyle, Governor
The Members of the Legislature
The People of Wisconsin
Page 2

recently reached by the Governor's office and the Legislature, the state will now provide applicants more certainty on the timing of their requests and consistency in decision making. These changes are common sense proposals. They are an excellent complement to the administrative changes that we are already implementing.

Finally, the Commission will also be following the work of the recently created Task Force on Energy Efficiency and Renewables to help Wisconsin reduce the need to build power plants and transmission lines, while reducing emissions and limiting impacts to air, water, and land at the same time. At a time when Wisconsin is looking to build additional generation and transmission facilities, we should consider that energy conservation and renewable resources are equally important to a sound energy policy for the state.

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

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

Sincerely,

A handwritten signature in cursive script that reads "Burneatta Bridge". The signature is written in dark ink and is positioned above the printed name and title.

Burneatta Bridge
Chairperson

TABLE OF CONTENTS

Table of Contents	i
Public Service Commission Members.....	1
Organizational Chart.....	2
Regulatory Mission	3
Set Rates and Services	3
Jurisdiction.....	3
Non-Jurisdiction.....	3
Electric Division	4
Commission Approves WP&L Pilot Biogas Program.....	4
Wisconsin Renewable Resource Credit Tracking Program.....	4
Commission Wins Lawsuit on Constitutionality of Holding Company Act	4
Commission Issues Report to Legislature on Alliant Energy Holding Company Audit	5
Commission Approves MGE Application to Form Holding Company	5
Commission Approves Recovery of Transmission Costs.....	5
Rulemaking Regarding Municipal Rights-of-Way Issues	5
Service Rules for Electric Utilities	6
Revision of the State Electrical Code	6
Distributed Generation Interconnection Rules	6
Strategic Energy Assessment.....	7
Expanded Strategic Energy Assessment.....	8
De Pere Acquisition	8
Commission Approves Mirant Plover Power Plant.....	8
Commission Approves Power Plant in Beloit	9
Commission Approves Superior Generation Project.....	9
Commission Approves Power Plant in Port Washington	9
Commission Approves Calpine Power Plant in Fond du Lac	10
El Paso Muskego Withdrawal of Power Plant Application.....	10
Incomplete Generation Applications	10
Fox Energy Power Plant in Kaukauna.....	11
Manitowoc Public Utilities Cogeneration Unit	11
Madison Gas and Electric’s West Campus Cogeneration Facility	11
Wisconsin Public Service Corporation’s Weston Unit 4.....	12
WPSC Declaratory Ruling.....	12
Commission Issues Final EIS for the Elm Road Generating Station	13
Commission Amends Order in Chisago Transmission Line Case.....	13
Arrowhead-Weston Transmission Line	13
Formation of the Organization of Midwest States.....	14
PSCW Involvement in FERC Issues	15
Midwest ISO.....	15
Utility Refinancing	15
Transmission Dockets.....	16

Electric Rate Cases -- Municipally-Owned Utilities	16
Electric Rate Cases – Investor – Owned Utilities.....	18
Natural Gas Division.....	19
Interstate Pipelines.....	19
Natural Gas Prices	19
Fixed rates/fixed bills.....	20
Gas Only Rate Cases.....	20
Natural Gas Supply Plans	21
Natural Gas Construction Orders.....	21
Natural Gas Construction Projects.....	21
Water, Compliance and Consumer Affairs.....	24
Uniform System of Accounts Municipal Utilities	24
Accounting Treatment for Contributions in Aid of Construction.....	24
Public Fire Protection - Rate Filings.....	24
Benchmarks 2003	24
Simplified Rate Cases.....	24
Water Rate Cases	25
Consumer Rules.....	25
Water and Sewer Rate Orders July 1, 2001, to June 30, 2003.....	25
Telecommunications Division	30
Competitors Increase Market Share.....	30
SBC Wisconsin Unbundled Network Elements	30
SBC Wisconsin Unbundling Requirements.....	31
SBC Wisconsin’s Operational Support Systems	31
SBC Wisconsin Entry in InterLATA Long Distance	32
ETC designation granted to US Cellular	32
Interconnection Agreements	32
Voice Over Internet Protocol (VOIP).....	33
Rates.....	33
Infrastructure Report to the Legislature.....	34
Wisconsin Builders Association Complaint	34
AmeriVoice.....	34
Continuing Telecommunications Consumer Education Efforts	35
Price Regulation.....	35
Productivity rulemaking	35
Price Regulation Rulemaking	36
Price Regulation Rate Adjustments	36
Alternative Service Quality Standards.....	36
Alternative Regulation.....	36
Eleva Petition for Extended Area Service	37
Universal Service Fund.....	38
Lifeline and LinkUp Program and Other Programs for Low Income Customers	38
Nonprofit Access Grant Program	38
Telemedicine Grant Program.....	39

Public Interest Pay Telephone Program.....41
Telecommunications Equipment Purchase Program (TEPP)41
Administrative Services.....42
 Alternative Work Patterns42
 Affirmative Action.....42
 PSC Receives 2001 Diversity Award42
 Wisconsin Works Program43
 Office of Information Technology.....43
List of Acronyms.....45
Contact Information47

* * *

Back page for table of contents

PUBLIC SERVICE COMMISSION MEMBERS

Burneatta Bridge

Chairperson

Term Expires March 2009

Ave M. Bie

Commissioner

Term Expires March 2005

Robert M. Garvin

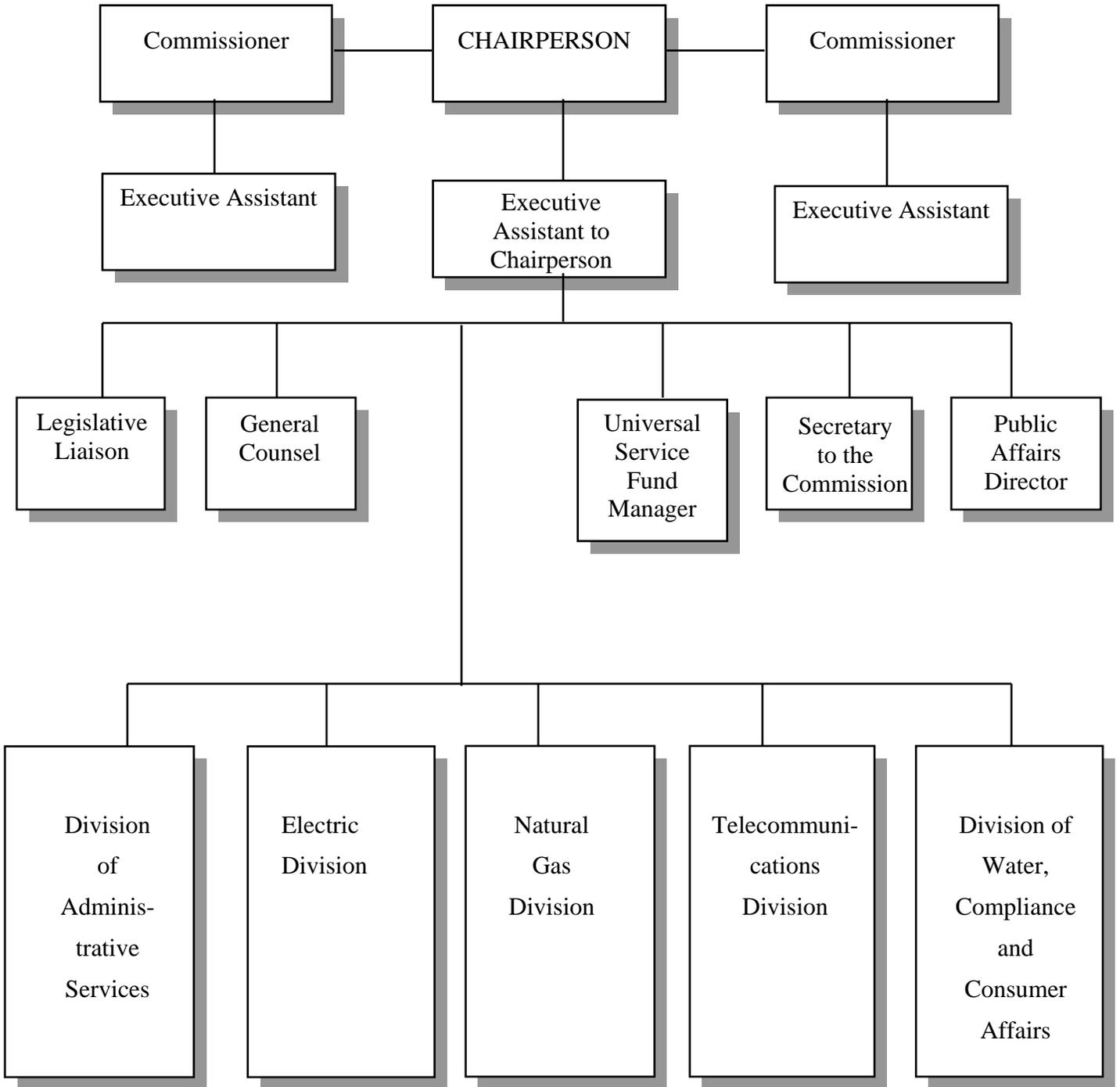
Commissioner

Term Expires March 2007

Daniel Ebert

Executive Assistant to the Chairperson

ORGANIZATIONAL CHART



REGULATORY MISSION

The Public Service Commission of Wisconsin (Commission or PSC) is an independent regulatory agency responsible for the regulation of 1,235 Wisconsin public utilities, including those that are municipally owned. The Commission's mission is to ensure that in the absence of competition, safe, adequate, and reasonably priced service is provided to utility customers.

Set Rates and Services

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

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

Jurisdiction

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

27	Electric Utilities
9	Water Investor Owned Utilities
13	Gas Distribution Utilities
1	Heating Utility
84	Telecommunications Utilities (11 Cooperatives)
513	Alternative Telecommunications Utilities (ATUs)
588	Municipal Utilities (including 26 Sewer Utilities*)
	433 Water Utilities*
	73 Sanitary Districts
	15 Electric Utilities
	67 Joint Water and Electric Utilities*
1,235	Total Utilities * The majority of Sewer Utilities are joint with Water or Water and Electric Utilities, but there are a few Sanitary Districts with Sewer Departments.

Non-Jurisdiction

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



ELECTRIC DIVISION

Commission Approves WP&L Pilot Biogas Program

The Commission approved a Biogas Renewable Energy Distributed Generation (BREDG) Program for Wisconsin Power and Light Company (WP&L). The program is designed as a demonstration project to encourage the development of a renewable fuel supply of methane gas derived from farms, landfills, wastewater treatment plants, and food processing plants.

Under the program, WP&L will pay distributed generators the equivalent of 6 cents per kilowatt-hour (kWh) for electricity delivered to the grid. Project participants would either contract with WP&L to provide and maintain the electrical generation equipment or own and operate the generation equipment using financing provided by WP&L. The application lists benefits of the BREDG as: mitigation of electric generation capacity constraints, a new revenue stream for participants, a demonstration program, encouragement of sustainable rural economic development, and improved environment from reduced methane air emissions.

Wisconsin Renewable Resource Credit Tracking Program

In September, 2002, Clean Power Markets, Inc., was hired to administer the Renewable Resource Credit (RRC) Program as required by Wis. Admin. Code ch. PSC 118. The RRC Program is part of the Wisconsin Renewable Portfolio Standard that went into effect on January 1, 2001, requiring every electric provider (IOUs, municipal utilities and co-op associations) in Wisconsin to obtain an increasing portion of

their electrical supply from renewables--up to 2.2 percent in 2011.

For 2001 and 2002, each electric provider was required to obtain 0.5 percent of its retail electric sales from renewable resources. Electric providers participating in the program averaged 1.3 percent of sales from renewable resources in the first year, 2001. One hundred sixteen electric providers exceeded their requirements and were eligible to create RRCs that can be either banked or sold to other companies. The program administrator, CPM, has established a web-based tracking system to keep track of RRCs as they are created and traded.

Commission Wins Lawsuit on Constitutionality of Holding Company Act

Federal District Judge John Shabaz sided with the PSC and the Department of Justice on all counts in a lawsuit in which Alliant Energy argued that Wisconsin's Holding Company Act unreasonably interfered with interstate commerce under the U.S. constitution.

The Court found that the Act did not unreasonably interfere with interstate commerce and that the state has a legitimate interest in protecting the financial health of the regulated utility. The court also found that Alliant was not permitted to challenge the restrictions of the law under which it was formed. Utility holding companies' ability to invest in outside ventures was recently expanded by the Legislature in the 1999 Reliability Act. Alliant has appealed the ruling to the Seventh Circuit in Chicago.

Commission Issues Report to Legislature on Alliant Energy Holding Company Audit

The Commission issued its report to the Legislature and audit of the Alliant Energy Holding Company. The PSC is required to submit reports and audits of holding companies every two to three years under state law. The PSC audit focused on increasing debt levels for the Wisconsin Power and Light utility and the Alliant Energy Holding Company, as well as allocation of executive officer pay. Alliant has committed to infusing \$260 million into WP&L by the end of 2003.

Commission Approves MGE Application to Form Holding Company

The Commission approved the formation of a holding company for Madison Gas and Electric (MGE). Under the approved holding company structure, MGE will be a wholly owned subsidiary of MGE Energy, along with Central Wisconsin Development (CWDC), and MAGAEL, LLC (MAGAEL). CWDC assists new and expanding businesses in central Wisconsin in their planning, financing, property acquisition, joint ventures, and related activities. CWDC has only nominal assets. MAGAEL is a real estate holding company which holds title to properties acquired for future utility plant expansion and non-utility property. In its review of the application, the Commission found that the formation of the holding company would not harm the utility or investors. The Commission imposed records retention and other requirements on MGE as conditions of its approval.

Commission Approves Recovery of Transmission Costs

The Public Service Commission approved cost recovery for Wisconsin's four largest Investor Owned Utilities for start-up and operating costs of the American Transmission Company. Cost recovery for other transmission expenses was also approved. The decision reflects authorized costs that will be recovered from ratepayers. For customers of Wisconsin Power and Light and Wisconsin Public Service Corporation, these costs (\$20.5 million and \$14.1 million, respectively) are included in present rates. We Energies and Madison Gas and Electric will collect the costs (\$48.1 million and \$.5 million, respectively), through a surcharge on customers' bills.

The 1999 Wis. Act 9 authorized utility holding companies to exceed the asset cap (limitations on non-utility investments by holding companies) in exchange for divesting transmission assets to a new Wisconsin transmission company. These four utilities divested their transmission assets in 2000, and ATC began operation on January 1, 2001.

The charges reflect costs in two key areas: infrastructure investment and improved, centralized electricity dispatch. Both areas lead to better access to economic generation and improved system reliability.

Rulemaking Regarding Municipal Rights-of-Way Issues

On June 2, 1999, the Commission approved a Statement of Scope indicating its

intent to initiate rulemaking as to standards or guidelines to be used to resolve disputes involving public utility access to and use of municipally-owned rights-of-way under Wis. Stat. § 196.58(4). Draft rules were issued June 21, 2001, and a hearing was held July 27, 2001. Subsequent to legislative review and minor modification, the Commission adopted final rules on April 30, 2003. The rules became effective July 1, 2003.

Service Rules for Electric Utilities

On May 16, 2000, the Commission approved an order adopting rules to repeal and recreate ch. PSC 113, Wis. Admin. Code – Service Rules for Electric Utilities. These rules went into effect on August 1, 2000. The service rules require numerous utility reporting requirements in the areas of reliability, safety, and consumer service to be monitored by Commission staff.

On April 23, 2001, the Municipal Electric Utilities of Wisconsin (MEUW) filed a petition with the Commission to initiate rulemaking and specifically to amend those provisions in ch. PSC 113 relating to customer satisfaction surveys so that their application to municipal utilities would be discretionary, not mandatory. On April 23, 2002, a public hearing was held to address MEUW’s proposed revisions, and various other minor updates and modifications to be incorporated into the rulemaking.

On November 1, 2002, the Commission adopted an order to modify the service rules relating to customer satisfaction surveys to apply only to utilities with customer counts of 20,000 or more, unless otherwise deemed necessary by the Commission.

Revision of the State Electrical Code

Revision of Chapter PSC 114 of the Wisconsin Administrative Code became effective on July 1, 2003. This revision adopts the most recent (2002) Edition of the National Electrical Safety Code (NESC-2002) with certain changes, deletions, and additions. Volume 1 of the Wisconsin State Electrical Code consists of the 2002 Edition of the NESC and Chapter PSC 114, commonly known as the “Wisconsin Supplement.” It is administered primarily by the Public Service Commission of Wisconsin and deals with safety requirements for the installation, operation, maintenance of primarily outdoor electric supply and communications lines and facilities used by utilities, railroads, cable television providers, etc.

Distributed Generation Interconnection Rules

Commission staff has worked extensively with a stakeholder collaborative group to develop rules that will expedite installation of small electric generators, known as distributed generation (DG) facilities that are sited close to where the power will be used. On January 2, 2003, the Commission approved draft rules for interconnecting customer-owned electrical generation facilities of 15 MW or less to local distribution systems. On March 3, 2003, a hearing was held on the draft rules. Subsequently the rules have been modified to incorporate both comments from the hearing and those from the Legislative Council Rules Clearinghouse. Once the final rules are approved by the Commission, they will be sent to the appropriate committees in each house for their final approval.

The objective of this rulemaking is to establish requirements for interconnection of distributed generation facilities that are, to the extent technically feasible and cost effective, uniform for all regulated electric utilities in Wisconsin. The rules define an application process; an application form; an interconnection agreement; requirements for grounding, metering, use of certified or non-certified equipment, safety equipment, power quality and testing; and compliance with applicable national, state, and local codes. The rules include a streamlined application process for facilities that have a capacity of less than 20 kilowatts.

Strategic Energy Assessment

The Second Strategic Energy Assessment (SEA), for the period January 1, 2002, through December 31, 2004, was approved by the Commission on December 19, 2002, for issuance in final form. The biennial SEA is the successor to the Advance Plan. The purpose of the SEA is to evaluate the adequacy and reliability of the state's current and future electrical supply. Under Wis. Stat. § 196.491(2)(a), the SEA must:

1. Identify and describe all large electric generating facilities on which an electric utility or merchant plant developer plans to commence construction within three years; all high-voltage transmission lines on which an electric utility plans to commence construction within three years; any plans for assuring that there is an adequate ability to transfer electric power into eastern Wisconsin, and the state as a whole, in a reliable manner; the projected demand for electric energy and the basis for determining the projected demand; activities to discourage inefficient and excessive power use; and existing and planned generation facilities that use renewable energy sources.

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

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

The following assessments were made subject to qualifications: from a macroeconomic statewide perspective, the regional bulk power market has and is expected to generally provide an adequate and reliable source of capacity and energy to meet the needs of the public; generally there has been and is expected to be an adequate and reliable source of purchased capacity and energy on a macroeconomic statewide basis to meet the needs of the public; competitive markets are contributing to a reliable, low-cost, and environmentally sound source of electricity for the public; and sufficient supply resources in the form of bulk power or purchased power are generally expected, but there is some reliability concern for 2004 and at a continued reasonable price. From a microeconomic individual utility perspective, utility commentators believe these assessments may be too broad. Based on the experience of smaller electricity providers, the providers suggest that the generation outlook is problematic; there is a general inadequacy of the current transmission system; and the competitive market is not providing a reliable source of capacity at a reasonable price. The full SEA is available on the PSC's website at:

http://psc.wi.gov/electric/cases/sea/2002/sea_final.htm

Expanded Strategic Energy Assessment

By statute the Commission is to commence another Strategic Energy Assessment (SEA) during 2004. There have been concerns that prior SEAs have been too limited by focusing on only three years of electricity supply and demand data. On June 27, 2003, Chairperson Bridge sent a request to the state's electricity providers requiring them to file electricity supply and demand data for a longer 2003 to 2010 time frame. This information is due at the Commission by September 15, 2003. In essence, the June 2003 Chairperson's request has started the 2004 SEA early. The new approach will address the weaknesses of using only three years of data. In addition to the usual SEA analysis, the Chairperson submitted a series of timely regulatory policy questions that electricity providers are to answer as well. Answers on these policy topics are also expected in mid September 2003. After receipt of the information, Commission staff will process a draft SEA that will likely be produced by early 2004. The draft report will be followed by a legislative type hearing in early 2004 with a final SEA expected sometime in April 2004. The final 2004 SEA will provide the public, electricity providers, and decision makers a broad overview of expected electric industry supply and demand developments in Wisconsin during the next seven years. Such an analysis will be able to identify shortcomings that need addressing by utilities, regulators, and/or the legislature.

De Pere Acquisition

On June 11, 2002, Wisconsin Public Service Corporation (WPSC) filed an

application with the PSC for authority to acquire the De Pere Energy Center (DEC) from De Pere Energy LLC (De Pere), a wholly-owned subsidiary of Calpine Corporation. The DEC is a 180-megawatt (MW) natural gas-fired simple cycle combustion turbine (CT) peak load generating facility located in De Pere, Wisconsin. De Pere obtained a Certificate of Public Convenience and Necessity to construct the facility in October 1997 and the DEC went into commercial operation in 1999.

WPSC signed a power purchase agreement (PPA) with De Pere on November 8, 1995. Under the agreement, which had a term of 25 years, the DEC would consist of a 180 MW CT and would be converted to a 255 MW combined-cycle facility in 2004.

On November 15, 2002, the Commission issued an order authorizing WPSC to purchase the DEC and cancel the PPA between it and De Pere, at a cost of \$120.4 million.

Commission Approves Mirant Plover Power Plant

The Commission authorized the construction of 930 MW of combined cycle and simple cycle electric generation facilities to be constructed in the town of Plover, Portage County, Wisconsin. Mirant, LLC, a subsidiary of Mirant Corporation (formerly Southern Energy, Inc.), applied to construct a 590-MW base-load natural-gas fired combined cycle power plant, and four 85 MW natural-gas fired combustion turbines in the town of Plover. The Commission approved construction of the plant at the site on Hayes Avenue.

Mirant indicated in testimony at the public hearing that it will not begin construction of the plant in 2002 or 2003 unless it finds financial partners for the

project. The Commission said that construction must be completed within 36 months. Mirant currently has no pre-existing power purchase arrangements with public utilities. The applicant still obtains permits from several other state and federal agencies.

Commission Approves Power Plant in Beloit

The Public Service Commission approved the application of Calpine Corporation to construct a 600 megawatt natural gas-fired power plant in the town of Beloit. Wisconsin Power and Light has contracted with Calpine for approximately 450 megawatts of electricity to be generated from the Riverside plant, which is expected to be on line for the summer cooling season in 2004. Wisconsin Power and Light must secure power from other sources in order to meet the required reserve margin of 18 percent for the summer of 2003.

Commission Approves Superior Generation Project

The Public Service Commission approved the application of Rainy River Corporation to build and operate a natural gas-fired simple-cycle 170 megawatt power plant in the city of Superior in Douglas County. Rainy River Corporation is a wholly-owned subsidiary of Minnesota Power.

The Commission required Rainy River to file a Construction Mitigation Plan to address environmental concerns, and to conduct a post-construction noise study to ensure that noise levels did not exceed the levels projected in its application. Construction must begin within one year under the Commission's approval certificate. The applicant still must obtain

permits from the Department of Natural Resources.

Commission Approves Power Plant in Port Washington

The Public Service Commission approved the application of We Energies to construct approximately 1,090 megawatts of natural gas-fired electric generation at the Port Washington Power Plant site. The existing 320 megawatts of coal generation of the Port Washington site will be dismantled under the plan approved. The Commission also approved the connecting natural-gas lateral, to be constructed by We Energies, and the electric transmission infrastructure to be constructed by American Transmission Company.

The new electric generation proposed for Port Washington is part of We Energies' "Power the Future" proposal, which also calls for new coal-fired electric generation to be constructed in the Oak Creek or Caledonia area. This portion of the proposal is currently under review.

In its verbal discussion, the Commission made the following findings:

- The electricity that would be generated under the proposal is needed to serve customer demand.
- The proposal by We Energies' is preferable to those offered by the Midwest Independent Power Producers for its financial and environmental characteristics. We Energies' proposal is financially sound and utilizes an existing brown field site.
- The leased generation arrangement is in the public interest and appropriately balances customers' needs for a reliable electric system and the broader need to ensure that plants are constructed in a timely manner.

Wisconsin Energy Corporation's proposal calls for the dismantling of the existing coal plants, and the construction of two 545 MW natural gas plants to come on line in 2005 and 2008. W.E. Power will build and own the plants, and the utility affiliate, Wisconsin Electric Power, will operate the plant and obtain the electricity for its customers through a lease approved by the PSC. The written order is expected to be issued by the end of 2003.

Commission Approves Calpine Power Plant in Fond du Lac

The Public Service Commission approved the application of Calpine Corporation to construct a 523 megawatt natural gas-fired power plant in the town of Fond du Lac. The Commission approved construction of the Fond du Lac Energy Center at the Scott Road site, and said that Calpine must complete construction by May 2007.

As part of its application, Calpine received approval to construct roughly five miles of water supply pipeline, which it will dedicate to the city of Fond du Lac. Natural gas would be provided by a new, two-mile natural gas pipeline to be built by ANR. The natural gas pipeline would require construction authorization from the Federal Energy Regulatory Commission.

The new facility will be operated as a merchant plant and will sell electric power at wholesale market-based rates to investor-owned utilities and other purchasers for resale. At the PSC public hearing on the project in January 2003, Calpine stated that it had no power purchase agreements with public utilities for power generated by the plant.

The Commission reviewed the project application as it relates to safety, impact on reliability, environmental implications, and to ensure that the project does not

unreasonably interfere with local land use and development. The Commission also placed several mitigating conditions on the plant to address environmental concerns, including substantial measures to mitigate noise impacts.

El Paso Muskego Withdrawal of Power Plant Application

On April 3, 2002, Muskego Energy Center, LLC, (Muskego Energy) a subsidiary of the El Paso Corporation (El Paso) filed an application with the PSC for authority to build a 340 megawatt natural gas-fired power plant in Muskego, Wisconsin. Muskego Energy made subsequent application filings in August and November 2002. The Commission determined the application to be complete on December 20, 2002.

PSC and Department of Natural Resources (DNR) staff held a public information meeting on the project on January 8, 2003, in Muskego. The PSC and DNR issued a joint draft environmental impact statement on January 28, 2003. A prehearing conference was held in Madison on March 24, 2003.

El Paso notified the Commission on April 7, 2003, that it was withdrawing its application due to its inability to secure long-term power purchase agreements from regional utilities.

Incomplete Generation Applications

Power Ventures Group (PVG) filed an application to construct a 530 MW generating facility in Sheboygan County. The PSC determined this application to be incomplete in March 2003 and PVG has not re-filed as of July 1, 2003.

Arpin Energy Center (AEC), an affiliate of Calpine Corporation, filed an application to construct a large generating facility and associated high voltage electric transmission, natural gas, and water facilities in Wood County. The PSC determined this application to be incomplete in October 2002 and AEC has not re-filed as of July 1, 2003.

Fox Energy Power Plant in Kaukauna

On November 8, 2002, the Public Service Commission issued to Fox Energy Company a Certificate of Public Convenience and Necessity (CPCN) for the construction and operation of a 635 MW natural-gas fired combined-cycle power plant in the town of Kaukauna in Outagamie County. The CPCN also permitted American Transmission Company to construct the transmission interconnection and power lines necessary for the operation of the power plant. Fox Energy Company, a wholesale merchant power plant developer, was a wholly-owned subsidiary of Mid-American Energy Holdings of Omaha, Nebraska. Fox Energy Company was required to begin the construction of the power plant within 24 months of issuance of the CPCN.

Effective April 25, 2003, Calpine Northbrook Energy, LLC (Calpine), a wholly owned subsidiary of Calpine Corporation, purchased Fox Energy Company. Fox Energy Company and Calpine filed a request dated July 21, 2003, that the Commission revise and modify the CPCN issued to Fox Energy Company to allow for several proposed changes, such as use of fuel oil as a secondary fuel, construction of fuel oil storage tanks, arrangement of the site layout, water treatment, and the manufacturer of the power plant equipment. Fox Energy Company and Calpine are also seeking air

permit modifications from the Department of Natural Resources. The Commission order is expected to be issued by October 2003.

Manitowoc Public Utilities Cogeneration Unit

Manitowoc Public Utilities (MPU) has requested authority to construct a new atmospheric pressure circulating fluidized bed (CFB) steam/electric cogeneration unit. MPU is proposing to build the new unit at its existing power plant in the city of Manitowoc. A draft EIS has been issued and hearings are expected to be held in the fall of 2003.

Madison Gas and Electric's West Campus Cogeneration Facility

Madison Gas and Electric Company (MGE); MGE Power LLC (MGE Power), a non-utility affiliate; and MGE Energy, Inc., a holding company, filed on June 14, 2002, a construction application with the Commission to build a large electric generating facility and associated high voltage transmission and natural gas interconnection facilities on the University of Wisconsin-Madison (UW) campus. The proposed project site is adjacent to and north of the existing UW West Campus Heating Plant located on the 500 block of Walnut Street in Madison on the UW campus.

The proposed West Campus Cogeneration Facility (WCCF) would be a combined-cycle electric generating facility capable of operating in a cogeneration facility mode. The facility would provide electric energy to MGE and steam and chilled water to the UW. The facility would be capable of providing 150 MW of electric power, 500,000 pounds per hour of steam, and 20,000 tons of chilled water. The

primary fuel would be natural gas, with ultra-low sulfur distillate fuel serving as the back-up fuel. MGE Power would own the electric generation assets of the facility, while the state of Wisconsin would own the steam and chilled water assets. MGE would operate the facility.

MGE's application was determined to be complete on October 21, 2002. The final Environmental Impact Statement was issued on June 2, 2003. Hearings will be held in July 2003 and it is expected the Commission will make its determination in September 2003.

Wisconsin Public Service Corporation's Weston Unit 4

In September 2003, Wisconsin Public Service Corporation (WPSC) intends to file an application with the PSC for authority to construct a new 500 megawatt (MW) base-load supercritical pulverized coal electric generating unit at its existing Weston Power Plant site located south of Wausau, Wisconsin.

The new generator project will be called Weston Unit 4, and it would be located adjacent to the 360 MW Weston Unit 3, which began operating in 1981. Weston Unit 1, a 60 MW unit, and Weston Unit 2, a 90 MW unit, respectively built in 1954 and 1960, are also located on the 345-acre site.

If approved, the \$750 million power plant would entail a four-year construction period, and could be operational as early as June 2008.

WPSC Declaratory Ruling

The proceeding in docket 6690-DR-107 is to consider Wisconsin Public Service Corporation's (WPSC) petition for a

declaratory ruling seeking the Commission's declaration that it is prudent for the company to proceed with the development of the Weston 4 coal plant alternative through certification, and to incur up to \$71 million in pre-certification expenses and pre-construction costs prior to the Commission granting certification, in order to ensure an adequate, reliable, and low-cost supply of energy for its customers towards the end of this decade. WPSC further requests authorization to include a current return on the pre-construction cost balance associated with Weston 4 beginning in 2004 at WPSC's overall cost of capital.

The Commission issued a Notice of Proceeding; solicited comments on the issues presented in the petition and permitted interested persons to request intervention and a contested case proceeding. The following filed requests to intervene: Citizens' Utility Board (CUB), Wisconsin Industrial Energy Group (WIEG), Wisconsin Electric Power Company (WEPCO), Stora Enso North America (Stora Enso), Dairyland Power Cooperative (DPC), Wausau-Mosinee Paper Corporation (Wausau-Mosinee), Wisconsin Paper Council (WPC), Badger Power Marketing Cooperative (BPMA), Municipal Electric Utilities of Wisconsin (MEUW), LS Power Associates (LS Power), Renew Wisconsin (Renew), Great Lakes Utilities (GLU), Wisconsin Power and Light Company (WP&L) and Wisconsin Public Power Inc. (WPPI). All of the foregoing, with the exception of WEPCO, DPC, Renew, Stora Enso, MEUW and Wausau-Mosinee, filed comments along with their requests to intervene. CUB requested a contested case proceeding.

These issues are scheduled to come before the Commission in August 2003.

Commission Issues Final EIS for the Elm Road Generating Station

The Public Service Commission and the Department of Natural Resources have issued their joint final Environmental Impact Statement (EIS) for the Elm Road Generating Station proposed by We Energies in Oak Creek or Caledonia. We Energies is proposing to construct and place in operation 1,800 megawatts (MW) of coal-fired electric generation near its existing Oak Creek power plant.

The final EIS provides decision makers, the public and other stakeholders with an analysis of the economic, social, cultural, and environmental impacts that could result from the construction of a new power plant and its associated facilities.

The Elm Road Generating Station proposal includes one 600 MW integrated gas-fired combined-cycle plant and two 615 MW super critical pulverized coal plants. The proposal includes new coal-fire equipment, possible railroad modifications, construction of new cooling water intakes and discharge channels into Lake Michigan, and a breakwater.

The final EIS for this project provides analysis and information on the project costs and financing, the need for base load capacity in southeastern Wisconsin, alternatives to the proposed project, an overview of the proposed sites and technologies, air emissions, water resources, solid waste production and disposal, land resources, and other issues.

Technical hearings are scheduled for August 25-26, 2003 in docket 05-AE-118 and September 4-15, 2003 in docket 05-CE-130. Public hearings are scheduled for September 17, 2003, in Oak Creek and September 18 and 19, 2003, in Racine. Prefiled, written public testimony, in lieu of oral testimony, is being accepted from

August 25 through September 15, 2003, and at the public hearings.

Commission Amends Order in Chisago Transmission Line Case

The Commission approved an amended order for the Chisago Transmission line proposal. Xcel Energy and Dairyland Power Cooperative applied to construct a transmission line linking the Apple River substation in northwestern Wisconsin with the Chisago substation in eastern Minnesota.

The PSC originally approved construction of the line in Wisconsin in 1999. The amended order incorporates project modifications that were negotiated with the applicants following a lawsuit brought by the cities of St. Croix Falls, Wisconsin, and Taylors Falls, Minnesota, against the PSC. The amended order incorporated a reduced voltage of the line and a reroute of the line through the city of St. Croix Falls. The applicants need to obtain additional permits from the state of Minnesota.

Arrowhead-Weston Transmission Line

In 2001, the Commission approved the request of the American Transmission Company, LLC and ATC Management, Inc. (collectively, "ATC"), to join Wisconsin Public Service Corporation (WPSC) and Minnesota Power (MP) as applicants in this docket. As part of this approval, the Commission declared that ATC was bound by all conditions, commitments, and agreements made by WPSC or MP in the course of the Commission proceedings. In the fall of 2001, the Commission issued its order in this docket authorizing WPSC, MP, and ATC to construct the Arrowhead-

Weston project at an estimated cost of approximately \$165.7 million. Construction of the project has not yet begun.

Subsequent to the Commission's order, lawsuits were filed against the PSC in circuit court by the Citizen's Utility Board (CUB), Clean Wisconsin (formerly Wisconsin's Environmental Decade), and Save Our Unique Lands (SOUL). The lawsuit filed by CUB is still pending; however, those filed by Clean Wisconsin and SOUL were dismissed. SOUL subsequently filed a motion to intervene in CUB's lawsuit, which was denied in circuit court. An appeal of that decision is now pending in the Wisconsin Court of Appeals.

Late in 2002, ATC filed a petition requesting that the Commission's 2001 order authorizing the line be amended to include revised project costs, to clarify the effective date of the CPCN, and to allow ATC to construct a fiber-optic cable for the sole purpose of monitoring, operating and protecting the transmission grid. In spring 2003, the Commission reopened this proceeding to consider the multiple requests from ATC to modify the final decision. After soliciting the comments of the parties and other interested persons, the Commission ordered rehearing on a limited scope of issues, including the revised project cost, which increased to approximately \$420.3 million.

Because of the large increase in ATC's estimated project cost, the Commission selected RW Beck, Inc., to independently review the revised estimates for the Arrowhead-Weston transmission line project, as well as the estimates for the King-Weston alternative. RW Beck has submitted its final report to the Commission, which will be subject to scrutiny during hearings on the case, scheduled for fall 2003.

Formation of the Organization of Midwest States

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, including the PSC, formed the Organization of Midwest States. 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 ISO and FERC on issues such as pricing, market monitoring, and generation adequacy and to coordinate other activities of mutual interest.

PSCW Involvement in FERC Issues

During the past two years, the Federal Energy Regulatory Commission (FERC) has continued to move forward with its policy of providing access to the nation's network of transmission facilities and restructuring wholesale power markets. In 1996, FERC issued Order 888 that required transmission owning utilities to provide open access to their transmission systems. In 1999, FERC issued Order 2000 in which it required transmission owners to transfer control of their transmission facilities to independently-governed Regional Transmission Organizations.

In 2001, FERC opened a proceeding to examine the structure of wholesale electric markets. In July 2002, FERC issued a Notice of Proposed Rulemaking on Standard Market Design. The PSC actively participated in all phases of this proceeding. The Commission submitted several sets of formal comments on various policy issues under consideration by FERC, and individual Commissioners appeared before FERC and at industry-sponsored forums related to this proceeding. In April, 2003, FERC issued a White Paper that reflected further refinement and some retrenchment of the Standard Market design proposal. The Commission continues to be actively involved in this proceeding.

In 2002, FERC initiated two rulemaking proceedings with the goal of standardizing the interconnection of large generating facilities and small generating facilities to the transmission system or to distribution facilities. The PSC submitted comments to FERC in both of these proceedings.

Midwest ISO

On February 1, 2002, the Midwest ISO became operational. The Midwest ISO has the responsibility to provide transmission service over all of the transmission facilities in Wisconsin, except those owned by Dairyland Power Cooperative. The Midwest ISO also approves new generator interconnection requests, develops a regional transmission plan, and acts as the Security Coordinator for the Midwest ISO footprint.

In 2001, FERC ordered the Midwest ISO to develop a wholesale energy market based on a Locational Marginal Price (LMP) model. The development of the LMP market by the Midwest ISO has been controversial. The PSC has been an active participant in the development of the LMP market plan as part of the Midwest ISO's stakeholder advisory process. The PSC has also participated in several other FERC proceedings relating to the membership of several Midwest utilities in the Pennsylvania, New Jersey, Maryland Interconnection (PJM) RTO and to the transmission rates that are applied to transactions that flow between the Midwest ISO and the PJM area.

Utility Refinancing

The January 14, 2002 application of Madison Gas and Electric marked the beginning of a cycle of large scale refinancing to take advantage of the lower long-term debt costs. Wisconsin Electric Power Company requested large scale refinancing authority in September 6, 2002. Utility applications for refinancing have continued into 2003.

Transmission Dockets

Below is a summary of transmission projects reviewed during the 2001-2003 biennial report period.

Description	Date Filed	Date Authorized	Authorized Cost
Transmission Projects Filed and Authorized			
Construct Forrest Junction Substation and Reconductor Transmission Line	07/20/01	11/20/01	\$36,604,300
Transmission Improvements at Rockdale Substation	09/19/01	10/04/01	7,758,400
West Towne to Fitchburg Transmission Reliability	10/03/01	11/07/01	20,377,000
Rebuild Saukville to Granville Transmission Line	12/26/01	04/15/02	11,099,100
Transmission Upgrades to Support Port Washington Power Plant	02/01/02	12/19/02	24,500,000
Rebuild Whitewater to Mukwonago Transmission Line	04/26/02	11/08/02	6,574,000
Upgrade Sauk County Transmission Line to 138 kV	07/17/02	11/08/02	22,686,000
Construct Transmission Line to Rock River Power Plant	07/18/02	09/24/02	10,400,000
Reconductor Rock River to Janesville Transmission Line	09/20/02	01/16/03	6,826,000
Upgrade Transmission Facilities in Brown County	01/02/03	01/30/03	5,694,100
Transmission Projects Currently Pending			
Construct Transmission Line From East Campus to Walnut Street	11/26/02		
Upgrade Transmission Facilities in Dane County	12/23/02		
Reconstruct Portage to Montello Transmission Line	05/01/03		
Rhineland Area Reliability Project	06/16/03		

Electric Rate Cases -- Municipally-Owned Utilities

Utility	Docket	Type of Rate Case ¹	Dollars Requested	Dollars Granted	Final Order	Percent Change
Argyle	0230-ER-104		\$ 22,653	\$ 39,026	06/26/02	9.37
Barron	0380-ER-102	Power Cost Adjustment Change for Cp-3	NA	423,874	10/18/01	NA
Barron	0380-ER-103		310,646	76,468	12/21/01	1.80
Cashton	0970-ER-102		116,292	116,298	04/14/03	27.58
Cuba City	1470-ER-102		112,750	108,325	01/08/03	8.18
Cumberland	1490-ER-101		289,693	331,890	08/14/02	15.70
Eagle River	1710-ER-103		113,205	\$108,898	12/02/02	5.54
Fennimore	1980-ER-104		83,216	71,912	10/05/01	4.10
Gresham	2400-ER-102		167,966	165,546	03/06/03	12.60
Hustisford	2650-ER-104		114,142	114,147	08/16/02	8.60
Jefferson	2750-ER-104		(18,135)	(128,685)	11/20/01	-1.51

Public Service Commission of Wisconsin

Utility	Docket	Type of Rate Case ¹	Dollars Requested	Dollars Granted	Final Order	Percent Change
Kaukauna	2800-ER-101		2,100,273	1,954,753	05/06/03	6.60
Kiel	2850-ER-103		127,841	75,157	01/14/02	1.90
Lake Mills	3000-ER-102		121,487	148,883	11/06/02	3.70
Manitowoc	3320-ER-106		1,770,114	1,804,238	01/03/02	6.14
Menasha	3560-ER-103		242,178	56,510	05/08/03	0.20
Mount Horeb	3930-ER-103		77,600	66,730	05/23/03	2.10
Muscoda	4000-ER-102		(8,797)	(4,827)	09/28/01	-0.28
New Glarus	4100-ER-103		86,413	78,064	12/11/02	5.80
New London	4130-ER-105		195,316	210,240	12/27/02	2.20
New Richmond	4139-ER-104		270,680	265,466	01/02/02	6.42
Oconto Falls	4360-ER-105		56,862	71,352	04/19/02	3.00
Prairie du Sac	4830-ER-102		107,220	107,224	01/06/03	4.45
Reedsburg	4970-ER-103		475,437	428,197	03/28/02	3.56
Richland Center	5070-ER-103		34,900	20,110	12/10/02	0.40
River Falls	5110-ER-103		592,793	573,163	10/08/01	9.10
Sauk City	5260-ER-103		145,400	152,253	06/12/02	7.40
Shawano	5350-ER-104		310,978	70,046	08/28/02	0.60
Shullsburg	5460-ER-101		46,200	42,012	03/08/02	6.60
Trempealeau	5940-ER-103		50,117	47,929	09/03/02	6.40
Two Rivers	5990-ER-103		419,391	422,164	03/17/03	7.90
Waterloo	6220-ER-103		340,155	300,046	06/06/02	8.10
Waupun	6290-ER-105		237,350	207,127	03/21/03	3.40
Wisconsin Dells	6610-ER-101		225,303	172,527	01/09/03	5.20
Wisconsin Rapids	6700-ER-102		426,562	398,773	04/26/02	2.70
Wonewoc	6760-ER-102		33,706	33,706	10/02/02	11.61

Note¹ All cases listed above are full electric rate cases if not otherwise specified.

Electric Rate Cases – Investor – Owned Utilities

Utility	Docket	Type of Rate Case *	Dollars Requested	Dollars Granted	Final Order	Percent Change
DLP	1510-ER-103		\$ 569,418	\$ 542,198	05-23-03	6.63
MGE	3270-UR-110	Limited Re-opener Fuel	12,061,000	11,177,000	12-19-01	5.70
MGE	3270-UR-111		14,563,000	20,319,000	02-28-03	9.06
NSP	4220-UR-111	Fuel Increase	12,047,890	11,329,252	10-18-01	NA
SWLP	5820-UR-107		24,100,052	24,042,281	09-12-01	NA
WEPCO	6630-UR-111	Interim - Fuel	55,067,000	55,067,000	03-14-03	NA
WP&L	6680-UR-111	Interim Decision	105,100,000	34,260,000	04-24-02	5.84
WP&L	6680-UR-111		105,100,000	60,145,000	09-13-02	10.26
WP&L	6680-UR-110	Fuel Re-opener		57,757,000	06-5-03	NA
WPSC	6690-UR-113	Interim Decision	86,800,000	55,467,000	12-19-01	10.30
WPSC	6690-UR-113		86,800,000	58,603,000	06-21-02	10.90
WPSC	6690-UR-114		50,700,000	21,378,000	03-20-03	3.50

- DLP: Dahlberg Light and Power Company
- MGE: Madison Gas and Electric Company
- NSP: Northern States Power Company (d/b/a Xcel Energy)
- SWLP: Superior Water, Light and Power Company
- WEPCO: Wisconsin Electric Power Company
- WP&L: Wisconsin Power and Light Company (d/b/a Alliant Energy)
- WPSC: Wisconsin Public Service Corporation





NATURAL GAS DIVISION

Interstate Pipelines

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

Guardian Pipeline is a new interstate pipeline that started service in December 2002. Guardian transports natural gas into southeastern Wisconsin from the Joliet, Illinois, area. A number of large interstate pipelines converge in the Joliet area, which is often referred to as the Chicago Hub. The Chicago Hub has become an active market for natural gas supplies. Wisconsin utilities are increasing the amount of gas supplies purchased at the Chicago Hub, rather than from the actual producing areas (such as the Gulf of Mexico, Oklahoma, and western Canada).

Guardian represents a substantial addition to the pipeline capacity serving southeastern Wisconsin and brings additional competition to the natural gas transportation services available in this part of the state.

Wisconsin Gas Company (WGC) and Wisconsin Electric Power Company

(WEPCO) are making major connections to the Guardian pipeline. During the biennium, WGC started construction on a large lateral pipeline connecting Guardian to WGC's distribution system in the greater Milwaukee area. WEPCO also made smaller connections between Guardian and WEPCO's gas distribution systems at two Walworth County locations near Walworth and Whitewater, and in Jefferson County near Ixonia.

On a smaller scale, WGC and Northern States Power Company (NSP) built connecting gas lines to tie certain service areas in northwestern Wisconsin to an additional interstate pipeline system. These areas were previously connected only to Northern Natural Gas Company's (Northern) interstate pipeline system. The new supply line connections allow gas shipments on a pipeline owned by Viking Gas Transmission Company (Viking).

One of the new gas lines WGC built to connect with Viking also serves as an intrastate pipeline. Three gas utilities, NSP, St. Croix Valley Gas Company, and Midwest Natural Gas Company, make use of this new WGC intrastate pipeline to provide additional gas supplies to service areas previously served only by Northern. The three gas companies can now deliver gas supplies transported on Viking into the WGC intrastate pipeline, which in turn delivers the gas supplies to the three utilities.

Natural Gas Prices

Natural gas continues to increase in importance to the economy of Wisconsin. More than two thirds of the homes in Wisconsin now use natural gas for heating. It is used in numerous industrial processes

and is playing an increasing role as a fuel for electric generation.

The prices for the services necessary to transport and distribute natural gas are regulated at either the federal or state level. The price of natural gas itself is unregulated. It is established in an open, national market, reflecting both demand and supply.

Prices for natural gas were volatile during the 2001-03 biennium. The winter of 2000-01 had seen a substantial run-up in gas costs mid-winter, to levels not previously seen. The prices fell during the next several months and the winter of 2001-02 saw a return to prices more in line with or lower than their historical antecedents. The winter of 2002-03 saw another rapid rise in prices, reaching historical highs in February and March. Prices fell during the second quarter of 2003, but at a much slower rate and settled at levels substantially higher than previously seen.

Fixed rates/fixed bills

Two utilities initiated pilot programs in response to the continuing volatility in the gas markets. Madison Gas and Electric Company (MGE) began offering a fixed-rate program during the winter of 2001-02. Alliant/Wisconsin Power & Light Company (WP&L) began offering a fixed-bill program during the winter of 2002-03. The programs are designed to mitigate the impact of market price volatility. They do not guarantee customers a lower price than they would otherwise pay.

MGE's pilot program (reviewed and approved in dockets 3270-GR-102 and 3270-GR-103) was offered to residential customers in its Viroqua service territory, and small and medium commercial customers throughout its service territory. The program provided customers the ability to "fix" the rate that they pay for their natural gas supplies during the winter

heating months. To do this MGE estimates customer demand for the service and purchases dedicated supplies to meet this demand. The rate charged to customers during the winter heating season reflects the cost of this gas supply.

WP&L's pilot program (reviewed and approved in docket 6680-GR-100) was offered to residential and small and medium sized commercial customers throughout its service territory. Enrollment was capped for both customer groups to allow the company to gain experience with the program and later determine if it would be offered on an expanded basis. The program provided customers the ability to fix the monthly amount that they would pay for natural gas services throughout the year regardless of weather variations. The bill amount is customized to reflect the individual customer's weather-normalized consumption history and expected weather variation. The concept is similar to budget billing plans offered by the utilities to their customers with one important exception: there is no true-up. The customer's bill is not adjusted to reflect either increases or decreases in the cost of gas over the course of the program, nor is it adjusted for increases or decreases in usage due to weather variations.

Gas Only Rate Cases

Two gas-only rate cases were processed during this biennium. These were for two of the small gas-only utilities in the state, St. Croix Valley Natural Gas Company, which serves areas near the Wisconsin/Minnesota border near the Twin Cities, and City Gas Company, that serves customers in the Antigo area.

City Gas:

Docket 1140-GR-105

Decision issued 12/19/02

Requested Increase: \$622,827
(12.97% increase)

Authorized Increase: \$835,021
(7.4% increase)

St. Croix Valley Natural Gas:

Docket 5230-GR-103

Decision Issued 10/17/01

Requested Increase: \$201,900
(3.88% increase)

Authorized Increase: \$227,065
(3.62% increase)

Natural Gas Supply Plans

As discussed elsewhere in this report, natural gas costs experienced increased volatility during the 2001-03 biennium. This raised interest in what steps the utilities take to lessen the impact of these swings on their customers and concerns regarding the availability of supplies to Wisconsin’s residents.

Wisconsin’s natural gas utilities are required to file annual gas supply plans.

These are reviewed and approved by the Commission. The Commission review is to

ensure that Wisconsin’s natural gas utilities are pursuing reasonable purchasing strategies for obtaining natural gas supplies, and that they have adequate capacity and supply under contract to meet the needs of their customers. Many of the utilities pursue strategies using some of the financial instruments that are available to lay off some of this risk, such as hedges. These strategies, though not individual actions, are also reviewed and approved by the Commission.

Natural Gas Construction Orders

During the last biennium, the Commission issued 33 orders in gas construction cases (not including minor amended orders or procedural orders). This is similar to the previous biennium’s 31 gas construction orders. Many of the projects are related to reinforcing existing gas distribution systems and connecting to additional interstate pipeline systems (discussed earlier). Three gas line projects are designed to deliver gas to new power plants. In the past, construction projects to provide service to new areas were more prevalent.

Natural Gas Construction Projects

Utility	Docket	Final Order	Description
MGE	3270-CG-117	November 2001	Install Automatic Meter Reading System
MNG	3670-CG-114	December 2001	Approved second supply source (WGC and Viking) in St. Croix County and denied request to allow provision of service in portions of the town of Kinnickinnic, St. Croix County
MNG	3670-CG-115	September 2002	Provide service in portions of town of Barre, La Crosse County
NSP	4220-CG-130	December 2001	Additional supply source (WGC and Viking) in St. Croix County and allows provision of service in portions of town of Kinnickinnic, St. Croix County

2001-2003 Biennial Report

Utility	Docket	Final Order	Description
NSP	4220-CG-131	December 2001	Denied request to allow provision of service in portions of town of Warren, St. Croix County
NSP	4220-CG-132	September 2002	Provide service in portions of the town of Barre, La Crosse County
NSP	4220-CG-134	February 2002	Additional supply source (Viking) in St. Croix and Polk Counties
SCV	5230-CG-102	December 2001	Provide service in portions of town of Kinnickinnic, St. Croix County
SCV	5230-CG-104	July 2001	Additional supply source (WGC and Viking) in St. Croix County
WEPCO	6630-CG-115	July 2001	System reinforcement in city of Franklin, Milwaukee County
WEPCO	6630-CG-117	September 2002	Install Automatic Meter Reading System
WEPCO	6630-CG-118	June 2002	Additional supply source (Guardian) in Jefferson County
WEPCO	6630-CG-119	July 2002	Additional supply source (Guardian) in Walworth County
NSP	4220-CG-134	Feb. 2002	Additional supply source (Viking) in St. Croix and Polk Counties
SCV	5230-CG-102	Dec. 2001	Provide service in portions of town of Kinnickinnic, St. Croix County
SCV	5230-CG-104	July 2001	Additional supply source (WGC and Viking) in St. Croix County
WEPCO	6630-CG-115	July 2001	System reinforcement in city of Franklin, Milwaukee County
WEPCO	6630-CG-117	September 2002	Install Automatic Meter Reading System
WEPCO	6630-CG-118	June 2002	Additional supply source (Guardian) in Jefferson County
WEPCO	6630-CG-119	July 2002	Additional supply source (Guardian) in Walworth County
NSP	4220-CG-134	February 2002	Additional supply source (Viking) in St. Croix and Polk Counties
SCV	5230-CG-102	December 2001	Provide service in portions of town of Kinnickinnic, St. Croix County
SCV	5230-CG-104	July 2001	Additional supply source (WGC and Viking) in St. Croix County
WEPCO	6630-CG-115	July 2001	System reinforcement in city of Franklin, Milwaukee County
WEPCO	6630-CG-117	September 2002	Install Automatic Meter Reading System
WEPCO	6630-CG-118	June 2002	Additional supply source (Guardian) in Jefferson County
WEPCO	6630-CG-119	July 2002	Additional supply source (Guardian) in Walworth County
WPSC	6690-CG-148	April 2003	Install Automatic Meter Reading System

WPSC	6690-CG-149	August 2002	Provide service to new power plant in Brown County
WEPCO and WGC	05-CG-101	July 2002	Additional supply source (Guardian) in Walworth County
WEPCO and WGC	05-CG-102	December 2002	Install interconnections between WEPCO and WGC in city of New Berlin, Waukesha County, in town of Erin, Washington County, and in town of Merton, Waukesha County

- MGE: Madison Gas and Electric Company
- MNG: Midwest Natural Gas Company
- NSP: Northern States Power Company
- SCV: St. Croix Valley Natural Gas Company
- WEPCO: Wisconsin Electric Power Company
- WF&L: Wisconsin Fuel and Light Company (subsequently acquired by WPSC)
- WGC: Wisconsin Gas Company
- WP&L: Wisconsin Power and Light Company
- WPSC: Wisconsin Public Service Corporation
- Guardian: Guardian Pipeline LLC (interstate pipeline)
- Northern: Northern Natural Gas Company (interstate pipeline)
- Viking: Viking Gas Transmission Company (interstate pipeline)





WATER, COMPLIANCE AND CONSUMER AFFAIRS

Uniform System of Accounts Municipal Utilities

The Commission is evaluating and updating the Uniform System of Accounts (USOA) for regulated municipal utilities. The project was initiated in the last biennium, but has been on hold awaiting the outcome of accounting questions stemming from an important decision of the Commission concerning the accounting treatment for contributions in aid of construction. The current intent is to simplify and consolidate all the municipal systems of accounts into one, using summary accounting to accommodate the less detailed reporting of the smaller Class D utilities.

Accounting Treatment for Contributions in Aid of Construction

Municipal Utilities – Docket 05-US-105

The Commission, on its own motion, opened this landmark docket to determine if the present accounting and ratemaking for municipal Account 271, Contributions in Aid of Construction (CIAC), was adequate or whether modifications would improve on the present accounting and ratemaking treatment. An order was issued on April 2, 2001, establishing new accounting treatment for CIAC. The new treatment became effective on January 1, 2003. Now in the implementation period, additional CIAC-related accounting issues are being discussed and will soon be before the Commission for decision.

Public Fire Protection - Rate Filings

As local governments face increasing costs with declining dollars, water utilities are impacted. Specifically, impacted is the method used to recover the cost of providing public fire protection (PFP) in many communities. At present, there are 594 water utilities operating in the state. Using statutory authority granted in 1988, 124 of the 594 systems have developed and received Commission approval to stop charging the PFP municipal rate and instead recover it directly from ratepayers and other benefiting residents. In the last biennium more municipalities began charging ratepayers. In the future, more municipal governing bodies will be opting to direct charge PFP.

Benchmarks 2003

More and more water utility managers are comparing their operations with others to measure their own efficiency. To assist in this effort, 2003 water utility benchmarks were developed based upon the utilities' filed 2002 annual reports. These benchmarks are online for use at the Commission's website. Simply log onto <http://www.psc.state.wi.us>, click on the "Water" tab, go to "Industry News and Information," and select "Water Utility Statistical Benchmarks". An individualized report of specific utility benchmarks is available via e-mail at no charge.

Simplified Rate Cases

A Statutory provision adopted in 1995 allows for inflationary rate increases without

hearing for qualifying municipal water and sewer utilities. In this recent biennium, municipal utilities continued to expand their use of this convenient tool. In the two-year period, applications were filed by 144 utilities.

Water Rate Cases

During this biennium, 161 water and sewer cases were filed. These cases were all filed electronically and processed using the Commission's automated municipal water and sewer rate case processing procedures. See table for listing.

Consumer Rules

The Commission is in the process of revising the consumer protection portion of Chapter PSC 165 which regulates certain telecommunications providers. Changes are being made to regulations in areas such as: application for service, customer billing, information available to customers, deposits, deferred payment agreements, service restrictions, disconnection of service, customer complaints, and dispute procedures.

The proposed rule with revisions would apply to providers such as ILECs, CLECs, and resellers. The Commission has worked closely with representatives from the telecommunications industry, community groups, and other state agencies in preparing these revisions and creating several new sections of the rule.

A public hearing on the proposed rule was held on July 30 and 31, 2002, and the proposed rules were then sent out for comment. An extension of the original deadline for filing written comments was granted, establishing a new deadline of September 23, 2002. Approximately 800 oral and written comments were received from telecommunications providers and interested parties. Each comment was discussed and considered, and the rule was redrafted based on those comments.

A large number of proposed changes were made to the draft that had been sent for hearing. As a result, at its open meeting of July 24, 2003, the Commission decided to request comments concerning the proposed changes made during the redrafting process. Written comments were due on September 25, 2003.

The Commission intends to submit the proposed rule to the legislature in 2004.

Water and Sewer Rate Orders July 1, 2001, to June 30, 2003

Docket #	Utility Name	Order Issued	Increase Requested	Increase Granted	Overall % Increase
0010-WR-103	Abbotsford Municipal Water	04/29/2003	\$ 163,957	\$ 161,472	31
0020-WR-102	Adams Water	11/01/2002	105,648	105,430	35
0050-WR-104	Algoma Water	10/08/2001	361,884	259,823	56
0190-WR-109	Appleton Water Department	09/03/2002	2,764,337	2,977,266	25
0260-WR-101	Athens Water	11/01/2002	63,328	73,278	48
0360-WR-101	Baraboo Water	11/18/2002	311,216	312,913	34
0385-WR-102	Bayfield Water	10/30/2001	39,852	39,852	25
0440-WR-102	Belmont Municipal Water & Sewer	02/13/2003	34,463	43,665	31

2001-2003 Biennial Report

Docket #	Utility Name	Order Issued	Increase Requested	Increase Granted	Overall % Increase
0560-WR-101	Blair Municipal Water	04/19/2002	43,312	33,061	18
0615-WR-102	Blue Mounds Water	07/06/2001	45,728	47,697	49
0630-WR-102	Bonduel Water	10/31/2001	99,694	106,785	79
0710-WR-105	Brillion Municipal Water	11/21/2002	0	0	PFP
0720-WR-102	Bristol Water	02/14/2002	58,044	11,968	5
0750-WR-101	Brokaw Water	12/05/2002	205,937	109,281	80
0760-WR-103	Brookfield Municipal Water	02/12/2003	504,324	142,456	4
0770-WR-103	Brooklyn Water	11/7/2002	29,087	37,878	22
0780-WR-103	Brown Deer Water	03/19/2003	0	0	PFP
0860-WR-106	Butler Water	11/15/2002	106,853	115,453	32
0920-WR-101	Cambridge Water	10/16/2001	53,784	112,094	71
0980-UR-101	Cassville Sewer	10/18/2002	24,560	28,988	22
0980-UR-101	Cassville Water	10/18/2002	45,898	44,212	46
1000-WR-103	Cedarburg Water	12/11/2001	109,598	103,244	8
1120-WR-103	Chippewa Falls Dept Of Public Utilities	06/12/2002	0	0	PFP
1150-WR-102	Clayton Municipal Water	10/11/2002	16,104	16,105	20
1190-WR-103	Clinton Water	10/24/2002	96,988	109,692	37
1200-WR-104	Clintonville Water & Electric	12/27/2002	0	0	PFP
1370-WR-102	Cornell Water	03/12/2003	15,922	13,442	6
1470-WR-101	Cuba City Water	10/02/2002	179,888	167,609	105
1490-WR-102	Cumberland Municipal	10/09/2002	38,516	40,409	17
1620-WR-103	Dickeyville Water	09/05/2002	82,690	88,421	104
1670-WR-101	Dousman Water	09/21/2001	104,381	102,447	69
1685-WR-102	Drummond Sanitary District #1 Water	09/05/2001	11,924	12,321	24
1710-WR-106	Eagle River Light & Water Commission	06/07/2002	0	0	PFP
1710-WR-105	Eagle River Light & Water Commission	03/28/2002	0	0	PFP
2010-WR-107	Fond Du Lac Water	03/08/2002	373,725	373,725	8
2020-WR-104	Fontana Municipal Water	04/08/2003	117,103	123,753	17
2040-WR-102	Footville Water	03/29/2002	63,558	62,557	69
2090-WR-106	Fox Point Water	09/20/2002	76,671	76,671	8
2160-WR-102	Galesville City of Municipal Water and Sewer Utility	05/13/2002	87,346	88,707	41
2200-WR-101	Genoa City Water	70/10/2002	402,188	414,839	144
2230-WR-101	Gilman Water	01/16/2002	68,802	68,154	127
2300-WR-103	Grafton Water & Wastewater Commission	02/11/2003	157,590	187,238	18
2310-WR-101	Grand Chute Sanitary District #1 Water	12/11/2001	1,044,141	902,679	50
2320-WR-101	Granton Municipal Water	03/14/2003	89,199	25,495	52
2470-WR-103	Hartford City of Utilities	10/14/2002	0	0	PFP
2500-WR-100	Hayward City of Waterworks & Sewer	03/25/2002	0	0	PFP
2500-UR-102	Hayward Sewer	10/05/2001	91,050	97,645	36
2500-UR-102	Hayward Water	10/05/2001	37,545	863,880	33

Public Service Commission of Wisconsin

Docket #	Utility Name	Order Issued	Increase Requested	Increase Granted	Overall % Increase
2550-WR-104	Hillsboro Water	12/16/2002	45,565	50,192	25
2600-WR-103	Horicon Water	11/15/2002	62,787	34,696	7/23
2650-WR-102	Hustisford Utilities	03/03/2003	45,287	24,070	8
2690-WR-100	Iron Ridge Municipal Water	05/16/2003	57,038	61,258	66
2700-WR-101	Iron River Sanitary District No 1	07/17/2002	82,760	82,295	114
2790-UR-100	Juneau Water	02/11/2003	89,154	85,316	20
2830-WR-104	Kewaskum Municipal Water	10/07/2002	107,626	88,951	24
2870-WR-102	Kimberly Water	10/22/2002	56,597	56,597	14 W-1
2920-WR-103	La Crosse Water	02/18/2002	1,043,282	1,006,661	27
3000-WR-103	Lake Mills Light & Water	09/05/2002	0	0	PFP
3040-WR-101	Land O'Lakes Sanitary District No 1	12/18/2002	109,823	39,139	106/18 2
3160-WR-103	Lodi Water & Light	06/05/2002	0	0	PFP
3210-WR-101	Loyal Water	11/12/2001	18,500	26,826	23
3280-WR-107	Madison Water	08/26/2002	2,206,528	1,577,363	11
3340-WR-102	Maple Bluff Water	08/02/2001	21,114	21,114	16
3350-WR-102	Marathon Village of Water & Sewer	02/08/2002	0	(185,682)	(42)
3370-WR-102	Marinette Municipal Water	09/19/2002	892,934	926,421	46
3460-WR-102	Mayville Water	11/15/2002	249,465	236,411	31
3480-WR-103	Mazomanie Water	01/10/2003	107,163	107,906	63
3590-WR-104	Menomonie City of Water Department	06/13/2002	0	0	PFP
3590-WR-103	Menomonie Water	10/18/2001	314,485	245,965	19
3680-WR-102	Milltown Water	03/28/2003	30,444	35,079	43
3720-WR-104	Milwaukee Water	02/15/2002	7,393,707	6,361,972	10
3740-WR-101	Mineral Point Municipal Water	02/26/2003	58,539	77,097	33
3830-WR-102	Montello Water	03/14/2002	38,528	39,362	30
4000-WR-103	Muscoda Water	03/19/2003	24,710	30,564	19
4005-WR-102	Muskego Water Public	03/19/2003	207,293	167,960	16
4020-WR-102	Necedah Water	10/05/2001	38,634	45,486	34
4090-WR-101	New Berlin Water	11/20/2001	767,181	432,915	14
4100-WR-105	New Glarus Water	12/21/2001	43,350	43,988	14
4110-WR-102	New Holstein Water	08/21/2001	214,860	115,921	32
4120-WR-102	New Lisbon Water	11/14/2002	71,513	84,981	48
4130-WR-104	New London Electric & Water	04/02/2002	427,312	455,250	37
4225-WR-101	Northfield Sanitary District # 1	12/16/2002	0	0	PFP
4225-WR-100	Northfield Sanitary District #1 Water	12/14/2001	0	0	N/A
4310-WR-101	Oak Creek Water & Sewer	02/13/2003	0	0	PFP
4330-WR-103	Oakfield Village of Municipal Water	09/19/2002	241,444	70,045	42
4340-WR-103	Oconomowoc Water	11/15/2002	154,102	158,913	13
4430-WR-102	Oostburg Municipal Water	02/17/2003	109,365	110,993	38
4440-WR-101	Oregon Municipal Water & Sewer	07/10/2002	0	0	PFP
4440-WR-100	Oregon Water	08/27/2001	332,071	317,125	57
4460-WR-104	Osceola Water	01/16/2002	113,422	149,410	48
4480-WR-106	Oshkosh Water	08/02/2001	1,138,890	1,074,753	12

2001-2003 Biennial Report

Docket #	Utility Name	Order Issued	Increase Requested	Increase Granted	Overall % Increase
4510-WR-102	Paddock Lake Municipal Water	06/27/2003	4,725	4,725	10
4520-WR-101	Palmyra Water & Sewer	09/09/2002	86,490	86,490	38
4570-WR-101	Pence Water	09/19/2002	35,444	29,180	345
4625-WR-101	Pewaukee Water	10/08/2001	521,944	511,551	62
4700-UR-103	Platteville Sewer	10/18/2002	72,095	0	0
4700-UR-103	Platteville Water	10/18/2002	72,858	38,739	3.00
4730-WR-102	Pleasant Prairie Water	12/19/2002	0	0	PFP
4737-WR-102	Plover Water	09/06/2001	296,226	296,226	19
4780-WR-104	Port Washington Water	12/20/2001	0	0	PFP
4810-WR-101	Poynette Municipal Water	11/12/2002	35,637	43,537	20
4900-WR-106	Racine Water Works Commission	03/28/2003	920,745	916,592	7
4900-WR-105	Racine Water Works Commission	04/05/2002	685,360	787,227	6.64
4920-WR-101	Randolph Municipal Water	08/27/2001	124,945	127,777	101
4970-WR-102	Reedsburg Water	01/02/2002	355,644	276,869	36
4990-WR-102	Reeseville Water	08/21/2001	71,715	76,584	111
5010-WR-104	Rhineland Water	03/07/2002	63,064	63,064	6
5050-WR-102	Rice Lake Water	08/21/2001	71,720	71,720	10
5160-WR-104	Rome Water Ltd	05/09/2002	96,104	99,544	42
5360-WR-101	Shawano Lake Sanitary District 1	12/19/2002	0	0	PFP
5350-SR-104	Shawano Municipal Utilities	10/22/2002	99,204	57,337	4
5350-WR-103	Shawano Municipal Utilities	06/19/2002	316,988	378,390	48
5380-WR-101	Sheboygan Falls Utilities	09/20/2002	291,770	285,388	36
5390-WR-102	Shelby Sanitary District #2 Water	11/21/2002	17,906	20,199	20
5450-WR-103	Shorewood Hills Water	11/05/2002	29,765	18,534	8
5440-WR-106	Shorewood Municipal Water	05/14/2003	71,284	77,334	9
5480-WR-101	Siren Water	02/08/2002	87,290	86,614	98
5545-WR-102	Somers Water	09/26/2002	65,307	53,550	14
5590-WR-104	South Milwaukee Water	11/15/2002	216,667	214,131	12
5190-WR-101	St Cloud Water & Sewer	08/13/2002	0	0	PFP
5690-WR-104	Stevens Point Water	10/18/2002	286,801	300,363	12
5750-WR-102	Stoughton Water	12/06/2001	173,902	152,232	15
5820-UR-107	Superior Water, Light, & Power	09/11/2001	1,437,801	1,059,466	33
5820-WR-100	Superior Water, Light, & Power	12/16/2002	0	0	PFP
5835-WR-102	Sussex Water	10/16/2002	213,696	198,258	18
5880-UR-103	Thorp Sewer	11/25/2002	92,029	76,008	41
5880-UR-103	Thorp Water	11/25/2002	22,677	88,787	41
5940-WR-101	Trempealeau Municipal Electric & Water	06/19/2002	32,583	26,301	22
6060-WR-102	Valders Water	08/30/2001	58,003	36,607	36/57
6185-WR-101	Warrens Water	03/20/2003	108,169	3,475	12
6190-WR-100	Washburn Municipal Water & Sewer	09/03/2002	62,570	63,906	39
6230-WR-105	Watertown Water Commission	05/30/2003	457,989	498,567	17
6240-WR-103	Waukesha Water	11/08/2001	545,266	543,062	10
6260-WR-103	Waunakee Water	12/12/2002	0	0	PFP
6260-WR-102	Waunakee Water	03/25/2002	251,161	223,591	29

Public Service Commission of Wisconsin

Docket #	Utility Name	Order Issued	Increase Requested	Increase Granted	Overall % Increase
6270-WR-101	Waunona Sanitary District #2	09/27/2002	47,170	43,375	83
6290-WR-104	Waupun Water	12/13/2002	0	0	PFP
6290-WR-103	Waupun Water	12/21/2001	395,615	356,514	28
6310-WR-103	Wausaukee Water	07/10/2001	60,888	44,377	37
6380-WR-109	West Bend Water	01/08/2003	0	0	PFP
6380-WR-108	West Bend Water	05/30/2002	0	0	PFP
6480-WR-103	Whitefish Bay Water	03/12/2002	172,984	180,199	21
6650-WR-101	Wisconsin Gas Company Water	06/18/2002	153,699	153,699	9
6760-WR-101	Wonewoc Water & Electric	06/26/2002	39,615	54,558	70
6680-UR-111	WP&L - Beloit	09/13/2002	1,600,000	706,000	19
6680-UR-111	WP&L - Ripon	09/13/2002	332,000	76,000	8
6680-UR-112	WP&L-Beloit	04/04/2003	605,000	269,000	6
6680-UR-112	WP&L-Ripon	04/04/2003	137,000	100,000	10
6810-WR-102	Wrightstown Sanitary District 1	06/05/2003	15,291	16,458	39
6800-WR-102	Wrightstown Water	11/20/2001	140,206	146,984	79
6820-WR-101	Yuba Water	05/05/2003	(869)	1,829	29

Notes

- (A) Also revised electric LPC
- (B) Step I amounts shown, Step II granted = \$67,359, request not broken into 2 steps
- (C) Step I amounts shown, Step II requested = \$143,770, Step II granted = \$107,291
- (D) Amount not specified in request
- (E) Step I amounts shown, Step II requested = \$65,896, Step II granted = \$587,476





TELECOMMUNICATIONS DIVISION

Competitors Increase Market Share

The Public Service Commission of Wisconsin published a report in June 2003 on the status of competition in the state. Competitive local exchange companies (CLECs) have increased their share of voice-grade local lines in Wisconsin from 6 percent in 2000 to 12.4 percent in June 2002. In the market for the more lucrative business lines, the CLEC share was 24 percent in June 2002. For residential lines, the largest CLEC penetration has occurred in the Fox Valley, followed by Milwaukee and Madison. CLECs in the Fox Valley and Madison are primarily using unbundled loops with their own switching, while in Milwaukee there has been a large increase in the CLEC use of the platform of unbundled loops, switching and transport (UNE-P) to serve residential customers during 2002.

For voice-grade business lines, CLECs initially concentrated on the Milwaukee metro market, both through leasing loops from the incumbent local exchange company (ILEC) and using their own loops. By June 2002, CLECs served a significant share of the business lines throughout eastern Wisconsin. In the exchanges served by SBC, competitive providers served 10.3 percent of the residential lines and 32.4 percent of the voice-grade business lines, i.e., 18 percent of the total market.

The most striking trend in local telecommunications is the decline in the number of lines and the accompanying basic local service revenues for the ILECs in Wisconsin. This trend started with a slow down in the rate of growth in 2000, followed with declines in the number of lines and in revenues from basic local service in 2001. While the growth in the overall market for

wireline voice services is slowing, revenues from special access and data circuits have continued to show robust growth. For wireless companies, the number of wireless subscribers has increased from 1,698,520 at the end of 2000 to 2,522,479 as of June 30, 2002, which is 68 percent of the total number of voice-grade lines provided by ILECs and CLECs in Wisconsin.

Broadband lines provided by competitive providers increased dramatically in the past two years, going from 58,988 the end of 2000 to 222,763 in June 2002. Cable television companies (CATV) dominate the residential broadband market, while telephone companies lead in the much smaller business market. Overall, cable modems are used for over 80 percent of the broadband lines provided by competitive providers. This percentage has increased even as telephone companies have placed a greater emphasis on selling high speed digital subscriber lines (DSL).

Many ILECs use CLEC subsidiaries to provide broadband services, and those lines are included with the CLEC numbers in this report. There are enough problems with the way broadband lines are counted in the annual reports filed with the Public Service Commission of Wisconsin that the broadband lines ILECs provide directly to end users have not been included in this report. If ILEC lines were included in the broadband totals, the cable modem share of the broadband market in Wisconsin would drop to between 70 and 75 percent.

SBC Wisconsin Unbundled Network Elements

Competitive Local Exchange Carriers, or CLECs, lease portions of SBC

Wisconsin's network that SBC is required to provide on an unbundled basis. These pieces of the network are referred to as unbundled network elements, or UNEs. According to Federal Communications Commission (FCC) pricing rules, UNEs are required to be priced based on total element forward-looking long-run incremental costs (TELRIC).

The Commission completed its determination of cost study methods that are TELRIC compliant for SBC Wisconsin and determined the rates that result from those methods. Further implementation decisions were delegated to the Division Administrator for three issues where new data was presented in the compliance phase of this proceeding.

In a related proceeding, the Commission continues to evaluate TELRIC cost compliance for the cost of providing loop conditioning. Conditioning a loop removes devices that impede the transmission of broadband speeds on copper loops.

SBC Wisconsin Unbundling Requirements

The Commission has been active in evaluating SBC's compliance with the requirements to provide access to particular network elements on an unbundled basis.

The Telecommunications Act of 1996 requires SBC to provide access to a network element if failure to provide access to such an element would impair a competitor's ability to offer the services it seeks to offer or if proprietary elements are necessary to provide such services.

The FCC has developed a national list of UNEs that are required to be unbundled. The Commission also has state law authority to require unbundling of network elements beyond that required by the FCC. The

Commission required unbundled access to broadband loops, but stayed that requirement while it evaluates the FCC's recent modifications to its national list of UNEs in its Triennial Review Order.

SBC Wisconsin's Operational Support Systems

In January 2000, the Commission started its investigation into SBC Wisconsin's (f/k/a Ameritech-Wisconsin) back office systems, or operational support systems (OSS). These are systems competitive local exchange carriers, or CLECs, depend on to resell SBC services or to lease certain portions of SBC's network. Without these systems functioning properly and in a nondiscriminatory fashion, CLECs cannot effectively compete against SBC Wisconsin and SBC Wisconsin cannot gain approval to enter the interLATA toll market.

The Commission's investigation is designed to enhance and improve these systems through a military-style test conducted by a neutral third party, BearingPoint, (f/k/a KPMG Consulting). Military-style testing requires testing until SBC Wisconsin passes the test. SBC has passed significant portions of the test. The remainder of the test is expected to be completed in late 2003, or early 2004. This investigation is also designed to establish, and periodically review and revise, a set of ongoing performance measures and a remedy plan. The remedy plan requires SBC to make payments to CLECs and to fund consumer education programs in the event SBC fails to perform up to its predetermined performance measures. While the courts have vacated the Commission's order with respect to SBC's remedy plan, some CLECs have entered into remedy plan interconnection agreements.

SBC Wisconsin Entry in InterLATA Long Distance

Section 271 of the federal 1996

Telecommunications Act governs Regional Bell Operating Companies' (RBOCs or BOCs) entry into in-region, interLATA (both intrastate and interstate) long distance service and requires that RBOCs apply to the Federal Communications Commission (FCC) for authority to provide this service in a particular state. Section 271 further requires that the FCC consult with the relevant state commission to verify RBOC compliance with the requirements of § 271, commonly known as "Track A" and the "Competitive Checklist."

SBC is a RBOC, and as such, must establish compliance with the federal requirements. In July 2003, the Commission issued two written determinations wherein it found that SBC-Wisconsin complied with the competitive checklist. These determinations, along with other orders of the Commission, formed the basis of the Commission's consultative report to the FCC. The FCC is expected to issue its determination in October 2003.

ETC designation granted to US Cellular

Under FCC rules, state commissions are required to designate providers as eligible telecommunications carriers (ETC). Designation as an ETC is required if a provider is to receive federal universal service funding. ETC designation is also required to receive funding from some, but not all, state universal service programs. The FCC established a set of minimum criteria that all ETCs must meet. The PSC established additional criteria.

In December 2002, the PSC granted ETC status to US Cellular with certain limitations. The Commission found that US

Cellular met the requirements for ETC designation: it will offer supported service to all requesting customers in its designation areas and will advertise these services.

Because US Cellular only wishes to obtain federal USF support, the Commission adopted the federal requirements for ETC status as the requirements that US Cellular must meet to obtain ETC status. The Commission relieved US Cellular from ETC obligations other than those imposed under federal law.

However, since US Cellular will not be subject to the state requirements and state obligations, the Commission required that US Cellular not apply for state USF money.

An appeal of the Commission's decision is pending in court. (Ten other wireless carriers were similarly granted conditional ETC status in September 2003.)

Interconnection Agreements

The federal Telecommunications Act of 1996, Public Law 104-104, 110 Stats. 56 (1996), creates a process with which a competitive local exchange carrier may petition this Commission for arbitration of the rates, terms and conditions of an interconnection agreement to provide an interconnected local telecommunications service.

There are two decision points for Commission action in an arbitration proceeding. First, after a carrier files a petition requesting arbitration of the disputed terms of an interconnection agreement with another carrier, the Commission appoints a three member arbitration panel to consider the disputed issues identified by the parties and issue an arbitration award resolving those disputes.

Second, after the parties submit an interconnection agreement that conforms to the arbitration award, the Commission

decides whether to approve or reject the filed agreement.

During the period July 1, 2001, to June 30, 2003, the Commission conducted five arbitration proceedings pursuant to the federal Act and 47 U.S.C. § 252. Arbitration panels appointed by the Commission issued three arbitration awards, and the Commission issued orders approving or rejecting three interconnection agreements. Companies participating in these proceedings included Ameritech, Verizon, CenturyTel, AT&T, McLeod USA, Level3, LCI, and JSM Telepage.

Through the Commission's web site, the actual interconnection agreements are available in both Microsoft Word and PDF formats. These documents are used in a variety of ways, including as a method for a utility to "opt-into" an existing agreement. This resource greatly enhances competition by making it easy to have any agreement from the last three years at your fingertips. The website also makes recalling only agreements with certain companies in a restricted time frame very easy. Although Federal Law gives 90 days to approve such agreements, the Commission typically approves them within 30 days. During the biennium, the Commission approved nearly 350 voluntary interconnection agreements.

Voice Over Internet Protocol (VOIP)

This issue has gained momentum both in Wisconsin and nationally as some internet providers began to heavily market their services to broadband customers across the country in January 2003. The Commission has not directly or separately addressed Voice Over Internet Protocol as either requiring or being free from regulation. There is no distinction in the statutes for new or different technologies that provide the same functionality. Based on the

increased demand and provision of end-to-end VOIP, the Commission may need to address this matter in a more public and detailed forum.

Rates

Rate Proceedings

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

CenturyTel of Central Wisconsin, LLC (Central) and Telephone USA of Wisconsin, LLC (TUSA) filed applications with the Commission on January 18, 2002, requesting authority to increase rates. Central requested a revenue increase of \$4.7 million above the \$4.3 million granted on an interim basis, subject to refund, in August 2001. The Commission authorized an increase of \$2.8 million above the interim increase.

TUSA requested \$10.9 million in addition to its interim increase of \$3.7 million. The Commission authorized \$7.9 million of that request. The September 24, 2002 order in the combined proceeding was appealed by applicants and by AT&T and MCI. In January 2003, the Commission issued an amended order keeping the same revenue increases for both companies, but reallocating the increases among residential rates and access charges for TUSA. That decision has been appealed to the court.

CenturyTel of the Midwest-Kendall, LLC (Kendall) had been granted an interim increase in revenues of \$8.8 million in April, 2001. In the second phase of the proceeding, Kendall requested an additional

\$5.7 million permanent annual increase in rates and stated that no refund is necessary for the subject-to-refund period during which interim rates were in effect. The Commission authorized a decrease of \$.5 million and ordered refunds of the excess amounts collected by Kendall subject to refund.

Small telecommunications utilities (those with less than 50,000 access lines) may increase rates by notice to consumers under Wis. Stat. §§ 196.213 and 196.215. Unless customers of those companies file a valid petition, the rates become effective, and the Commission is not involved in the rate change. Those companies that had rate increases effective under this process in the period of July 1, 2001, to June 30, 2003, are as follows:

Baldwin Telephone Company
Belmont Telephone Company
Bloomer Telephone Company
Cuba City Telephone Exchange Company
Farmers Independent Telephone Company
Hillsboro Telephone Company
Lakefield Telephone Company
Luck Telephone Company
Milltown Mutual Telephone Company
Mosinee Telephone Company
Northeast Telephone Company
Wood County Telephone Company

Seven additional companies had notified their customers of a rate increase under this process during the biennium; however, the higher rates were not effective until after June 30, 2003.

Infrastructure Report to the Legislature

The fourth infrastructure report was issued in February 2002. The fifth infrastructure report is in progress under 05-

ST-113 and is planned to be completed in January 2004. The upcoming report will provide an update on the infrastructure covered in previous reports and indicate new infrastructure additions, distance learning, libraries etc.

Wisconsin Builders Association Complaint

A formal complaint was filed by the Wisconsin Builders Association (WBA) against Ameritech regarding the construction charges policy SBC instituted which assessed charges to developers in some cases when telecommunications facilities were extended into areas where facilities did not exist or were not available. WBA argued that no charges should apply in these instances. The WBA requested cumulative and alternative remedies in this case. The complaint under docket 6720-TI-167 was resolved by a settlement agreement between SBC and the WBA. Under the agreement, WBA agreed to withdraw its complaint in exchange for SBC's agreement to withdraw the construction changes tariff amendments to which WBA objected. The Commission ordered SBC to withdraw the tariff as agreed with the WBA and SBC complied with this order.

AmeriVoice

On September 27, 2002, the Commission issued a Notice of Investigation and Emergency Order in response to several violations of Commission rules regarding disconnection notices, long distance blocking fees, failure to provide Lifeline and LinkUp services, and the charging of late fees, as well as many other violations by AmeriVoice. On November 1, 2002, the Commission, through its attorneys, entered into a stipulated agreement that AmeriVoice would come into compliance with Commission rules and issue appropriate

credits and refunds for late fees and long distance blocking charges.

Pursuant to the stipulation AmeriVoice was granted continued certification. Commission staff carefully reviewed and monitored AmeriVoice's activities from November 1, 2002, to June 30, 2003. Subsequent to June 30, 2002, AmeriVoice has continued to incur complaints for similar violations and has informed the Commission it intends to go out of business effective October 15, 2003. It has also come to the Commission's attention that AmeriVoice may have misled the Commission regarding the refunds it claimed it had issued to customers in November 2002.

Continuing Telecommunications Consumer Education Efforts

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

In the first quarter of 2002, public service announcements (PSA) produced for the Commission aired on radio and television stations throughout the state. These PSAs informed consumers about the availability of long distance price comparisons, and two Universal Service Fund programs, Lifeline and LinkUp.

The Commission continues to produce and update a series of brochures, which

contain helpful consumer tips about various telecommunications topics.

Price Regulation

A provision of 1993 Wisconsin Act 496 allows companies to elect a reduced form of regulation called price regulation. See Wis. Stat. § 196.196. To date, SBC and Verizon are the only companies that have elected price regulation. Currently, average rates for price regulated telecommunications services are governed by an index, which changes based on inflation, less 3 percent (2 percent for companies with less than 500,000 access lines), plus or minus incentives and penalties related to infrastructure and service quality. A rulemaking docket is examining whether to adjust the 2 and 3 percent productivity offsets.

Productivity rulemaking

The Commission issued a Proposed Order Adopting Rules in October 2001 that would have modified the productivity factor. The Senate Committee on Health, Utilities, Veterans and Military Affairs (Senate Committee) asked the Commission to consider modifications to its proposed rule. Specifically, the Senate Committee requested that the Commission appoint an independent consultant to conduct a productivity study, using the total factor productivity (TFP) method.

The Commission agreed to consider modifying its proposed rule, and hired two independent consultants. The consultants have completed their studies, and the Commission is reconciling the results of each.

Price Regulation Rulemaking

In November 2001, the Commission implemented various rule changes to price regulation deemed necessary as a result of the Commission's 1999 review of price regulation, and the annual reviews of price regulation for each price-regulated telecommunications utility. These changes included increasing the maximum service quality disincentive percentage slightly, offset by a corresponding decrease in the maximum infrastructure disincentive percentage, adding two additional service quality components approved by the Commission, and allowing for alternative service quality disincentive mechanisms.

Price Regulation Rate Adjustments

Under the price regulation mechanism, in October 2001, the Commission ordered SBC to decrease its rates for price-regulated services by an average of 0.02 percent. To achieve this change, SBC reduced its residential rate per call for calls over 1,200 from 5 cents to 4 cents. In October 2002, the Commission ordered SBC to decrease its rates for price-regulated services by an average of 1.22 percent. To achieve this change, SBC made the following reductions: the residential rate per call for the first 60 calls from 5 cents to 4 cents per call, the residential rate per call for calls over 1,200 from 4 cents to 2 cents, the residential Extended Community Calling rate from 4.3 cents to 3.4 cents per minute, the service installation charge from \$25 to \$21.90, the basic small business flat rate from \$14.85 to \$14.65, and various reductions in local saver pack rates. This was somewhat offset by an increase in the basic residential flat rate from \$6.60 to \$7.20. The net of these changes achieved the required reduction.

In July 2002, the Commission authorized Verizon to increase rates by 0.90

percent, pursuant to the price regulation formula. To achieve this change, Verizon elected to increase its residential Econo Pak rate from \$11.52 to \$12.31, its residential value pak rate from \$14.40 to \$14.41, and its small business rate from \$25.38 to \$25.70. In July 2003, the Commission authorized Verizon to increase rates by 0.23 percent. Verizon has yet to exercise its option to increase rates.

Alternative Service Quality Standards

The Commission established alternative service quality mechanisms for service quality to be used in calculating the service quality disincentive for price regulation filings beginning in 2004. The new standards eliminated a provision that automatically tightened the standards whenever performance improved, clarified when non-routine trouble reports could be excluded from results, and made other clarifications of the measurements.

Alternative Regulation

1993 Wisconsin Act 496 directed the Commission to regulate with the goal of developing alternative forms of regulation and to develop and approve an incentive regulatory plan for each telecommunications utility. The Commission, to date, has approved alternative regulatory plans for 25 telecommunications utilities. These plans have generally allowed for increases in local exchange rates and decreases in access rates paid by long distance companies, included provisions to facilitate a transition to competition, removed earnings restrictions, provided discounts to schools and libraries, and guaranteed maintenance of service quality and infrastructure improvement. While some of the plans have been approved for a limited duration, others have been approved for indefinite terms.

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

Eleva Petition for Extended Area Service

The Commission investigated a request on behalf of customers of the Eleva

exchange who wanted to have the Eau Claire exchange included in their local calling area. The rules governing this process are set forth in ch. PSC 167 of the Admin. Code. Following the determination of costs, customers were surveyed regarding their willingness to pay an additional \$9.75 per month for this service. The majority of customers were not willing to pay this much and the Commission denied their request.



UNIVERSAL SERVICE FUND

Lifeline and LinkUp Program and Other Programs for Low Income Customers

The Lifeline and LinkUp programs reduce the monthly rate connection charges for telephone service for low-income customers. All local exchange service providers for residential customers are required to offer Lifeline and LinkUp programs to eligible customers.

In a continuing effort to better inform customers of the Lifeline and LinkUp programs, the PSC sponsored public service radio and television advertisements that ran in spring 2002. The Lifeline and LinkUp brochure was also developed for distribution to customers. These brochures, along with a bulletin describing various USF programs available to customers, were sent to over 200 W-2 agencies and other human service agencies. In addition, the Commission sent out about 25,000 copies of the Lifeline and Linkup brochure in response to requests from social service agencies and organizations.

The expenditures for these two programs have increased significantly in the past five years. In calendar year 1998, the expenditures for Lifeline were \$284,267 and for LinkUp were \$174,008. Outreach efforts resulted in fiscal year 2003 expenditures that had risen to \$1,022,734 for Lifeline and \$662,030 for LinkUp.

Nonprofit Access Grant Program

This USF grant program had \$500,000 allocated to it for each fiscal year. The grant dollars are available to provide funding to

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

In the second year of the grant program, 18 applications were submitted. The Commission approved 12 of the grants for a total of \$418,255. The organizations and projects that received funding were:

AGAPE Community Center to provide access to Internet services and training to low-income youth and adults.

Access to Independence to provide assistive computer equipment and software to adults with disabilities.

CSD of Wisconsin to implement a video relay service pilot program for deaf and hard of hearing individuals.

Central Wisconsin Community Action Council to provide telephone and Internet access to low income clients.

Coalition of Wisconsin Aging Groups to provide videoconferencing capability to its Center.

Community Action Agency to provide Internet access and training to low income entrepreneurs.

Independent Living, Inc. to provide Internet access to older adults.

Silver Spring Neighborhood Center to provide a computer lending library, training and support services to low income families.

Society's Assets to provide assistive technology information and in-home assessments to those with disabilities.

Southwestern Community Action Program to provide Internet access and training to low-income families.

United Cerebral Palsy of SE Wis. to develop an Assistive Technology Center for job placement for individuals with disabilities.

Wisconsin Community Action Program to provide low-income families with education and technical support for computer and Internet use.

In the third year of the grant program, 22 applications were submitted. The Commission approved 18 of the grants for a total of \$474,000. The organizations and projects that received funding were:

Boys and Girls Club of Greater Milwaukee provides access to Internet services and training at one of its youth centers.

Center for Deaf and Hard of Hearing to provide in-home assistance and training to low-income disabled individuals and to install equipment.

Central Wisconsin Community Action Council to provide telephone and Internet access to low income clients.

Community Action Coalition for South Central Wisconsin to assist low income residents in obtaining telephone service.

Community Advocates provides outreach and education to households without telephone service and works toward getting them service.

Community Housing and Services to provide access for the low-income to the telephone and Internet.

Cornucopia provides access to desktop computing and the Internet to people with mental illnesses.

DANenet provides access to Internet service at computer labs for low-income adults.

Esperanza Unida to provide access and training to low income, unemployed residents for Internet job searches.

Hunger Task Force to develop an electronic system so low income shoppers can purchase fresh food at the market.

Independence First to provide Internet training and service to persons with disabilities.

Independent Living Resources to provide outreach to persons with disabilities on the availability of assistance and access to specialized telecommunications technology.

New Concept Self Development Center to develop a adult education cyber lab for low income residents for Internet access.

Society's Assets to provide assistive technology information and in-home assessments to those with disabilities.

United Cerebral Palsy of SE Wis. to develop an Assistive Technology Center for job placement for individuals with disabilities.

Western Dairyland Economic Opportunity Council to provide computer and Internet training to low-income residents seeking employment.

Wisconsin Council of the Blind to provide Internet access and training to blind or visually impaired individuals.

YMCA Milwaukee to install upgraded equipment to improve Internet access at several sites.

Telemedicine Grant Program

This USF grant program has a budget ceiling of \$500,000 per fiscal year. The grant dollars are available to provide

funding to nonprofit medical clinics and public health agencies to purchase telecommunications equipment. Applicants for this program must be a nonprofit clinic serving federally designated health professional shortage areas, medically underserved areas, or medically underserved populations, or are a public health agency. Purchase of medical telecommunications equipment under this grant program must promote technologically advanced medical services, enhance access to medical care in rural areas of the state, or enhance access to medical care to underserved populations or persons with disabilities in the state.

In the second year of the grant program, 25 applications were submitted. The Commission approved 13 of the grants for a total of \$500,000. Organizations that received funding to purchase equipment were:

Aurora Health Care-Milwaukee to purchase video conferencing equipment.

Chippewa Valley Hospital-Durand to purchase teleradiology equipment.

Hess Memorial Hospital – Mauston to purchase videoconferencing equipment.

Home Health United Visiting Nurse-Madison to purchase upgrades to the home monitoring technology system.

Memorial Hospital-Darlington to purchase telephone system equipment.

Nicolet Medical and Dental Clinic-Mountain to purchase teleradiology equipment.

Richland Hospital-Richland Center to purchase a digital system for transcription of records.

Sacred Heart Hospital-Tomahawk to purchase teleradiology equipment.

16th Street Community Health Center-Milwaukee to purchase an upgraded phone system.

ThedaCare-Appleton to purchase videoconferencing equipment for pathologist consultations.

UW Institute for Health/Silver Spring Neighborhood Center-Milwaukee to purchase and electronic health records system.

Visiting Nurse Association-Milwaukee to purchase digital cameras and modems to transmit and store photos electronically.

Wild Rose Community Hospital-Wild Rose to purchase a telecommunications system with voicemail.

In the third year of the grant program, 18 applications were submitted. The Commission approved 11 of the grants for a total of \$500,000. The organizations that received funding to purchase equipment were:

Amery Regional Medical Center-Amery to purchase a dictation and transcription system.

County Memorial Hospital-Oconto Falls to purchase a fetal/maternal remote monitoring system.

Gundersen Clinic-Lacrosse and Whitehall to purchase videoconferencing equipment to connect the hospital and clinic.

Healthcare for the Homeless to purchase videoconferencing equipment to provide remote psychiatric services.

Marshfield Clinic-Marshfield to purchase digital medical equipment for remote access for exam rooms via audio/video bridge.

Planned Parenthood Milwaukee to purchase networking equipment for the organization's database.

Price County Human Services-Phillips to purchase videoconferencing equipment for remote psychiatric services.

Richland County Health and Human Services-Richland County to purchase video conferencing for expert consultations.

Scenic Bluff Health Center-Cashton to purchase videoconferencing equipment and fiber optic connection.

UW Programs/Fox Valley Family Practice-Menasha to purchase videoconferencing equipment and diagnostic telemedicine equipment.

Waupun Memorial Hospital-Waupun to purchase videoconferencing equipment to connect the clinics and Hospital.

Public Interest Pay Telephone Program

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

Telephones can be approved to be Public Interest Pay Telephones if the Commission determines that the public health, safety, and welfare is jeopardized without the telephone, yet insufficient demand, usage or other private or public funds are available to assure installation and continued operation of the telephone. Factors that favor designation of a Public Interest Pay Telephone are: revenues are less than \$90/month [\$120 if with a

tele-typewriter (TTY)], the telephone is outside or available 24 hours per day, the telephone is accessible to the general public, no other pay telephone is located within 500 feet, and the pay telephone allows coin calls.

The program began in January 2001, and by the end of FY03, 135 public interest pay telephones were approved. Five providers participate in the program. These telephones are located around all corners of the state—from Grantsburg to Gill's Rock to Brodhead and to Milwaukee. Monthly subsidy levels for these telephones totals over \$11,100.

Telecommunications Equipment Purchase Program (TEPP)

The TEPP is a program where customers may apply for a voucher to assist them in the purchase of equipment necessary for affordable access to and comparable use of essential services. The voucher amounts are intended to make the cost of purchasing special equipment comparable to the cost of purchasing a quality standard telephone and related features.

Expenditures for the TEPP for the past two years have remained fairly steady. FY02 expenditures for this program were \$1.64 million and for FY03 were \$1.44 million. Continued usage of this voucher program enables more hearing and mobility-impaired consumers to have comparable access to telephone service.

ADMINISTRATIVE SERVICES

Alternative Work Patterns

The Commission continues to have a strong Alternative Work Patterns (AWP) program with a high rate of participation. Of the Commission employees, approximately 70 percent work a nonstandard or flexible schedule. Only 25 percent of employees work a standard 7:45 a.m. to 4:30 p.m. Monday through Friday schedule. Five percent work a part-time schedule, varying from half time to 90 percent.

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

Affirmative Action

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

The Council participated in a variety of program activities during the biennium including:

Assisting with the agency's participation in the Summer Affirmative Action Intern Program. This statewide program provides valuable training, experience, and exposure to the Wisconsin civil service system for racial/ethnic minority and women students and students with disabilities. In May 2003, the Electric Division hired a UW-

Whitewater student to develop new publication information pamphlets.

Sponsoring "Career Day" programs in April 2002 and 2003. In conjunction with the national "Take Our Daughters and Sons to Work Day" program, a total of 25 children attended the two events which included pizza lunches and fun-filled educational workshops.

Coordinating the agency's Annual Diversity Week celebrations in October 2001 and October 2002. In addition to hosting "ethnic potlucks" each year, training workshops were provided on topics such as "Communicating with People with Disabilities," "Wealth, Innovation, and Diversity," "Italian Heritage in Madison's Greenbush," "The American Justification for Diversity," and "African Storytelling."

Commemorating national diversity observances. Throughout the biennium, special exhibits/posters were on display for events such as Hispanic Heritage Month, National Disability Employment Awareness Month, Native American Indian Heritage Month, Martin Luther King Day, Black History Month, Women's History Month, Asian American Heritage Month and Juneteenth Day. For many of these events, videos were also shown during brownbag lunch sessions.

PSC Receives 2001 Diversity Award

At an awards ceremony held at the UW-Madison's Pyle Center in October 2001, the Public Service Commission received the prestigious 2001 Diversity Award from the State Council on Affirmative Action.

The PSC and the Department of Workforce Development were selected top award recipients for excellence in their overall diversity achievements, including Equal Employment Opportunity and Affirmative Action programming, disability services, retention, and upward mobility. Six other agencies and university campuses were also recognized for special achievements in employment opportunities or for specific program merit.

A copy of the PSC's 2001 Diversity Award Application can be seen at the Office of State Employment Relations web site: <http://oser.state.wi.us>.

Wisconsin Works Program

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

The Commission has developed two Community Service Jobs for W-2 clients. These temporary positions were created to provide individuals with the skills and hands on experience needed to secure permanent employment in the work force. The training includes base skills, typing, word processing, telephone answering, receptionist duties, mail handling, supply ordering, and exposure to computer hardware and office software applications. The Commission has employed 21 W-2 interns to date. In addition, between July 1, 1994, and June 30, 2003, the Commission hired 14 AFDC/W-2 customers into permanent classified positions, including one during the last biennium.

Office of Information Technology

In the 2001-2003 biennium, the PSC continued to bring the latest technology to bear on the task of meeting its business needs.

The PSC has already automated many of its primary business and administrative functions. The following applications have been developed to address business needs: Case Management System, Customer Contact System, Utility Name System, and Annual Report System (2). Administrative functions have been addressed by the Time and Leave Reporting System, the Employee Information System, the Electronic Forms System, and the PSC Billing System. Over the past biennium, the PSC has increasingly focused on making much of its information available over the Internet and on its recently implemented Intranet. To this end, all annual report information is now accessible on the Internet and utilities can now file data for Purchased Water Adjustments and Purchased Power Adjustments through applications on the PSC's Web site. During this biennium, the PSC also re-designed its entire Web site to make it more visually appealing and easier to navigate.

The PSC also significantly upgraded its IT infrastructure in this biennium. The first major project was to convert its network to Gigabit Ethernet. All network switches and all network-attached devices were upgraded to provide the fastest connections currently available to each and every user and server. All desktop computers are connected through a Gigabit Ethernet connection, as are all servers. This has significantly enhanced response time for all applications and file access functions. The PSC also replaced several servers and set up clustered servers for its major file/application server and its e-mail services. This has dramatically improved the reliability of the PSC's servers. Finally, the PSC added new fax server software to provide desktop faxing capability, as well as digital scan-and-send capability for exchanging PDF documents.

The PSC also became one of the first agencies to implement Exchange 2000

e-mail services in this biennium. This allowed the PSC to perform many more of its collaboration and communication functions with much greater efficiency and ease of use. The PSC also implemented Virtual Private Networking (VPN) service to allow its staff members with high-speed Internet connections at home to access their files and e-mail services at the PSC more productively.

In this biennium, the PSC began analysis and development of its Electronic Regulatory Filing (ERF) System. The plan for this project is to implement electronic filing of all formal cases at the PSC by January 1, 2005. A pilot project will begin in the fall of 2003 and a significant subset of all cases will be required to file electronically starting on January 1, 2004. The online, web-based system allows parties to PSC formal cases to file up to 25

documents at one time and to classify those documents in one of the 15 document types. Once these documents are accepted for filing, they will immediately become available to the parties and to the public at the PSC's web site document repository. All documents will be filed in Acrobat PDF format for easy viewing and printing.

The PSC made a number of improvements during the biennium to its PC/LAN environment. All users were upgraded to MS Office XP Professional and all PCs were upgraded to the Windows XP Professional operating system. The PSC also implemented a number of other software-related improvements in terms of producing PDF documents and improved back-up capabilities. As the biennium draws to a close, the PSC is in the process of upgrading all of its servers to Windows 2003 Server and all of its desktop PCs to Office 2003. These improvements will prepare the PSC and its staff for the world of electronic documents that lies ahead of it.

LIST OF ACRONYMS

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

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

* * *

CONTACT INFORMATION

Address: Public Service Commission of Wisconsin
610 North Whitney Way
P.O. Box 7854
Madison, WI 53707-7854

Telephone Numbers:

General (608) 266-5481
Fax (608) 266-3957
Consumer Affairs (608) 266-2001 or 1 (800) 225-7729

Web Addresses: E-mail pscsecs@psc.state.wi.us

Internet Site: <http://psc.wi.gov/>