

BIENNIAL REPORT 1981 - 83



State of Wisconsin / PUBLIC SERVICE COMMISSION

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TO: GOVERNOR ANTHONY EARL

SUBJECT: 1981-83 BIENNIAL REPORT

I AM PLEASED TO TRANSMIT TO YOU OUR AGENCY'S REPORT FOR THE 1981-83 BIENNIAL IN CONFORMANCE WITH THE REQUIREMENTS OF S. 15.04 (1) (d) OF THE WIS. STATS.

THIS REPORT COVERS A TWO-YEAR PERIOD, INCLUDING 20 MONTHS UNDER THE CAPABLE STEWARDSHIP OF THE FORMER CHAIRMAN AND PRESENT COMMISSIONER, STANLEY YORK. IT ALSO REFLECTS THE EFFORTS OF FORMER COMMISSIONER WILLIE J. NUNNERY, WHO I REPLACED ON THE COMMISSION. THEIR CONTRIBUTIONS TO THE ACHIEVEMENTS OF THE PAST BIENNIAL SHOULD NOT PASS WITHOUT SPECIAL NOTICE.

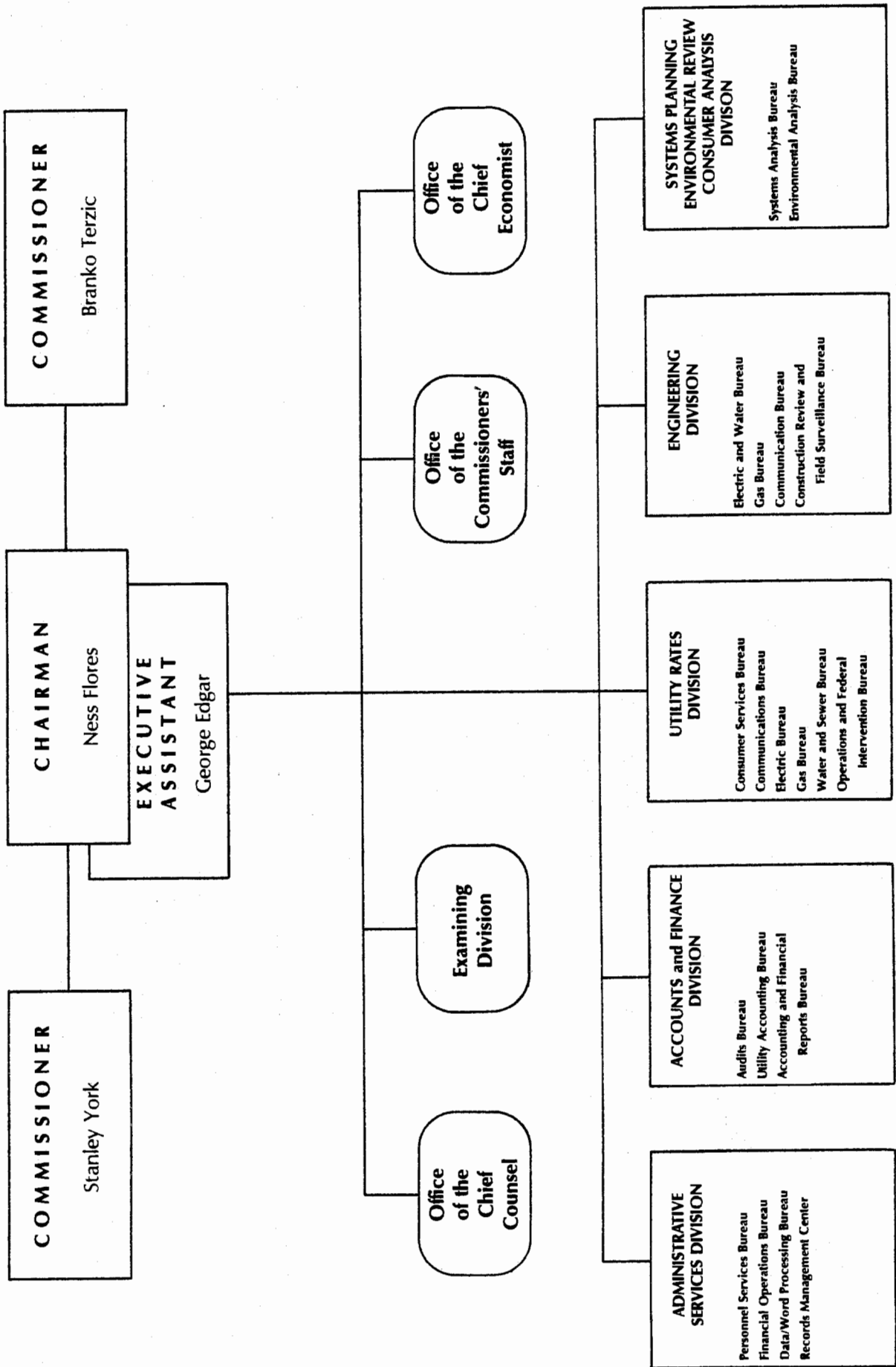
IN AN EFFORT TO STREAMLINE THE BIENNIAL REPORT AND PROVIDE A PRODUCT OF GREATER UTILITY TO THE AGENCY AND THE PUBLIC WE SERVE, WE HAVE CHANGED THE FORMAT. WE ARE TRYING TO MAKE THE REPORT MORE PRECISE AND INFORMATIVE WITHOUT INCREASING THE COST. WE HOPE YOU FIND IT HAS ATTAINED THOSE OBJECTIVES.

SHOULD YOU HAVE ANY QUESTIONS CONCERNING OUR PROGRAMS AND SERVICES, WE WELCOME YOUR FURTHER INQUIRY.

NESS FLORES
CHAIRMAN



ORGANIZATION : PUBLIC SERVICE COMMISSION OF WISCONSIN



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Stanley York, Commissioner
Branko Terzic, Commissioner

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AN OVERVIEW OF THE PUBLIC SERVICE COMMISSION OF WISCONSIN

Organization: The commission is composed of three full-time commissioners appointed by the governor and confirmed by the Senate for staggered, six-year terms. The governor designates the chairman each time a new commissioner is appointed.

The commission staff, numbering some 165 employees, is organized into six operating divisions: Accounts & Finance; Administrative Services; Engineering; Examining; Systems Planning, Environmental Review and Consumer Analysis; and Utility Rates. The offices of Chief Counsel, Chief Economist and the Office of the Commissioners (which includes the Public Information Officer and Secretary to the Commission) all report directly to the commission chairman via the Executive Assistant, who has responsibility for internal operations.

Responsibilities: The commission is responsible for the regulation of public utilities as defined in s. 196.01 Wis. Stats., including those which are municipally owned and operated. As an independent, quasi-judicial regulatory body, "The commission is vested with power and jurisdiction to supervise and regulate every public utility in this state, and to do all things necessary and convenient in the exercise of such power and jurisdiction." The statute further stipulates that "every public utility is required to furnish reasonably adequate service and facilities" at rates that are "reasonable and just." The commission's mission is to carry out this statutory mandate.

The commission must review and evaluate the advance plans for proposed facilities which are filed biennially by all electric utilities (including cooperatives), and conduct research and sponsor demonstration projects relating to the forecasting of demand, pricing structure and power operation and supply. The commission reviews environmental impact statements and conducts studies of long-range energy requirements and supply. The commission also has responsibility in the areas of telecommunications, natural gas and electric power with respect to emergency resource management.

Source of Funds	1982-83 Budget:	Authorized Positions
Program Revenue (PRO)	\$5,635,500	162.0
Program Revenue—Federal (PR-F)	141,300	1.0
General Purpose Revenue (GPR)	-0-	-0-
	5,776,800	163.0

The **Accounts and Finance Division** is responsible for auditing the accounting practices and financial records of public utilities and analyzing their proposed security offerings. It prepares depreciation studies and analyses of cost of capital and rate of return to present as testimony at hearings before the commission. The division compiles and publishes statistical studies of financial and operating data concerning public utilities.

The **Utility Rates Division** develops, analyzes and monitors utility rates and regulations, maintains utility tariffs and mediates consumer disputes with utilities. The division participates in formal case proceedings on rate issues, service regulations, service withdrawals, service area disputes, conservation programs and rulemaking. Staff conduct independent investigations and data collection, analyses of proposals, and analyses of alternative cost studies and rate designs. The division enforces utility compliance in filing rates, charges, rules and regulations with the commission and ensures that tariff language is clear and unambiguous. The division interprets tariffs, rules, regulations and commission policies to respond to inquiries and to mediate and resolve consumer complaints.

The **Examining Division** schedules and conducts public hearings, records verbatim testimony, prepares transcripts and may issue proposed decisions.

The **Engineering Division** reviews and analyzes proposed utility construction projects from the standpoint of need, possible alternative actions and economics. The division promulgates and enforces service and safety standards, monitors conditions and activities potentially affecting service adequacy, monitors, construction costs of major projects and plant accounting, and otherwise keeps informed of utility operations.

The **Systems Planning, Environmental Review and Consumer Analysis (SPERCA) Division** is responsible for evaluating the environmental impact of prospective commission actions and for developing and analyzing long-range electric utility plans in accordance with the statutory requirements. SPERCA staff members prepare environmental assessments and environmental impact statements in close coordination with other state agencies for cases involving utility construction, rate increases, and service rules. They subsequently review the case record, prepare and issue memoranda and develop recommendations for commission action.

The **Administrative Services Division** provides personnel and business management services to the commission, maintains a central records management system, coordinates the management of data and word processing services, and provides clerical and general administrative support.

The **Office of Chief Counsel** represents and defends the actions of the commission in state and federal courts, provides legal advice to commissioners and staff, provides legal counsel for staff at commission hearings, and coordinates federal intervention by Washington counsel or directly intervenes to represent the commission in cases of regulatory interest at the federal level. The Office of Chief Counsel also coordinates referrals from the commission to the Attorney General.

The **Office of Chief Economist** conducts economic research in the area of public utility regulation; develops and presents expert testimony at rate and rule-making proceedings; and provides consultation to the commission staff on economic and financial factors and other issues relating to public utility regulation.

COMMISSION HIGHLIGHTS: 1981-1983

AT&T Divestiture — The commission took a lead role among the several states seeking and advocating modifications to the American Telephone and Telegraph divestiture order issued by the Federal Appeals Court in Washington. Commission counsel argued successfully for several changes designed to protect Wisconsin ratepayers in the spin-off of state operating companies. The commission established a staff project team to carefully review the division and valuation of assets resulting from the divestiture of Wisconsin Telephone from its parent corporation.

UNITED TELEPHONE SETTLEMENT — The commission's firm stand on behalf of the customers of the United Telephone Company of Monroe had significant impact on the resolution of that utility's management and financial problems. Staff of the Consumer Services Bureau were stationed on site to receive and respond to consumer complaints, and commission intervention assisted the stockholders in reorganizing the company and regaining public confidence.

EXTENDED AREA SERVICE (EAS) — The commission concluded a rule-making proceeding to establish guidelines under which requests for EAS will be reviewed and considered in the future.

ACCESS CHARGES — In recognition of the changing industry structure and recent Federal Communications Commission decisions, the commission instituted proceedings to consider the need for and structure of long distance access charges in Wisconsin.

DEREGULATION OF CUSTOMER PREMISES EQUIPMENT (CPE) — The commission took action to end the regulation of new customer premises equipment and has also encouraged the sale of "embedded" CPE to customers in the aftermath of Federal Communications Commission deregulation decisions.

RESALE OF WATS AND LONG DISTANCE SERVICES — The commission investigated and ordered changes in tariffs to permit the resale of wide-area telephone service and long distance services within the state. As a result, resellers are subject to reduced regulatory proceedings.

MICHIGAN-WISCONSIN PIPE LINE GAS COSTS — The commission responded to extraordinary increases in the price of natural gas by challenging the purchasing practices of Michigan-Wisconsin Pipe Line before the Federal Energy Regulatory Commission. The utility furnishes a majority of natural gas to Wisconsin users. The case resulted in a \$30,000,000 reduction in rates for Wisconsin consumers.

NUCLEAR DECOMMISSIONING FINANCING — The commission evaluated seven methods of financing the decommissioning of nuclear power plants and selected the straight line negative salvage value method. This method treats nuclear plant decommissioning costs as a cost of removal. Through depreciation rates, the needed decommissioning costs are collected over the useful life of the plant.

PRAIRIE ISLAND-EAU CLAIRE TRANSMISSION LINE — The commission denied the application of the Northern States Power Company utility for construction of a 345 kV line which was to originate near its Pleasant Prairie nuclear plant to cross the Mississippi River at that point and extend to the Eau Claire area. The application was highly contested, and the commission concluded that reconducting lower voltage transmission lines would meet near-term need adequately.

POINT BEACH NUCLEAR PLANT REPAIRS — The commission approved a "sleeving" process for Point Beach 2 and authorized the replacement of the steam generators in Point Beach Unit 1. These decisions will help avoid the premature loss of the plant and have protected ratepayers from sudden burdensome decommissioning costs while the actual costs are raised via rate payments spread over the next 20 years.

ADVANCE PLAN ELECTRICAL SUPPLY STUDY: The commission finding that conservation and alternative energy sources were cheaper than conventional electric power generation, and the subsequent order to utilities to plan accordingly, was delivered by the commission on May 19, 1983. The decision was the result of a significant first-time study involving the preparation of a comprehensive review of the comparative cost of conventional generating sources, alternative energy sources, and conservation by PSCW staff.

ELECTRIC EXTENSION RULES: — The commission issued new extension guidelines for the largest investor-owned electric utilities in mid-1981, based on individual utility hearings which included an environmental impact statement. The new extension rules basically require all customers requesting a new extension of service to pay the full distribution-related costs of such construction, less the average embedded costs collected through monthly rates of existing customers for that type of service. The new rules went into effect in early 1982 and 1983. The commission is authorizing these new extension rules for other smaller investor-owned and municipal utilities as they apply for rate increases. The commission is also in the process of establishing administrative rules to apply the new extension rules uniformly to all electric utilities.

TIME-OF-DAY RATES: — The commission has continued to actively pursue the implementation of time-of-day rates in individual rate proceedings since 1975. Approximately 47% of the retail sales of the seven largest investor-owned utilities are marketed under time-of-day rates. More than 20,000 residential customers and more than 20,000 commercial and industrial customers of these seven utilities purchase electricity on this basis. The commission has required smaller investor-owned and municipal utilities to implement load research programs to obtain the necessary data to implement time-of-day rates for their largest commercial and industrial customers.

FEDERAL INTERVENTION: The commission directed Washington Counsel to intervene in numerous cases pending before federal agencies. Workload was particularly high in the telecommunications and gas industries. The legislature greatly assisted in the federal intervention process by providing authority for the expenditure of an additional \$150,000 PRO during the 1983-85 biennium.

CO-GENERATION "BUYBACK": The commission issued a file order in June, 1983 establishing co-generation "buyback" rates and rules for all Wisconsin electric utilities. The utilities are required to allow interconnection of all privately owned co-generation and power producers to their systems, and to purchase electricity produced at a rate equal to the cost the utility avoids by not having to produce the electricity itself or purchase from another utility. Specific rates and conditions were established in the order for the largest investor-owned utilities. The commission is now in the process of assisting other smaller investor-owned utilities and municipal utilities to establish rates and conditions to comply with its order.

INTERVENOR FINANCING: The commission successfully advocated legislation which enables the payment of intervenor group expenditures to provide expert testimony in proceedings before the commission. Using the authority provided by Chapter 16.515 to secure legislative approval during the biennium, the commission authorized approximately \$15,000 in expenditures to support intervenor testimony. The commission developed rules on intervenor financing which became effective February 1, 1983 and the financing mechanism became a permanent fixture with the passage of the commission's 1983-85 biennial budget.

UTILITY HOLDING COMPANIES: The commission asserted jurisdiction over holding company formation by Wisconsin utilities during the biennium. It was determined that holding companies by public utilities were regulated under s. 196.79 of the statutes.

ALTERNATIVE EMPLOYEE WORK PATTERNS — In accordance with the provisions of s. 230.215 (4) of the Wis. Stats., the commission is obliged to report on its use of flex-time, job sharing and other alternative work patterns in its biennial report. Such options are available to all staff members. Approximately 35% of the agency staff regularly or intermittently exercise flex-time options. Four employees work a compressed (four-day) work week. At the end of fiscal 1982-83, 17 employees (approximately 10%) were working on a less-than-full-time basis, including several job-sharing situations. Of that number, eight are staff professionals, while the remaining nine were in clerical jobs. The agency's experience continues to be positive in its use of alternative scheduling.

