



State of Wisconsin

***PUBLIC SERVICE
COMMISSION***

***1997-1999
Biennial Report***



Public Service Commission of Wisconsin

Ave M. Bie, Chairperson
Joseph P. Mettner, Commissioner
John H. Farrow, Commissioner

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

The Honorable Tommy G. Thompson, Governor
The Members of the Legislature
The People of Wisconsin

Re: 1997-1999 Public Service Commission of Wisconsin's Biennial Report

I am pleased to present the 1997-1999 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 PSC's roles and responsibilities as well as the agency's progress in fulfilling the responsibilities mandated by the Legislature.

It is the intent of the Legislature to make competition the fundamental economic policy of the state. Consequently, over the last two years the Commission continued to initiate and implement policies to rely upon competition where possible rather than regulation to determine the variety, quality, and price of utility services in Wisconsin. The goal is to remove barriers to the development of competition and to spur the development of choices for utility customers.

The 1997-1999 biennium proved to be a unique and challenging period for the Commission and its staff. The reliability of the electric utility delivery system continues to pose significant challenges to us as regulators. However, we intend to craft solutions that will ensure the availability of adequate, reasonably priced energy to Wisconsin's consumers and business community. Ensuring the ability of the state's electric industry to provide adequate energy reliably has been and will continue to be this Commission's top priority.

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 adequate consumer protection 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,

Ave M. Bie
Chairperson



**Public Service Commission
Of Wisconsin**

Ave M. Bie
Chairperson

Term Expires March 2005

Joseph P. Mettner
Commissioner

Term Expires March 2003

John H. Farrow
Commissioner

Term Expires March 2001

Robert M. Garvin
Executive Assistant to the Chairperson

PUBLIC SERVICE COMMISSION OF WISCONSIN

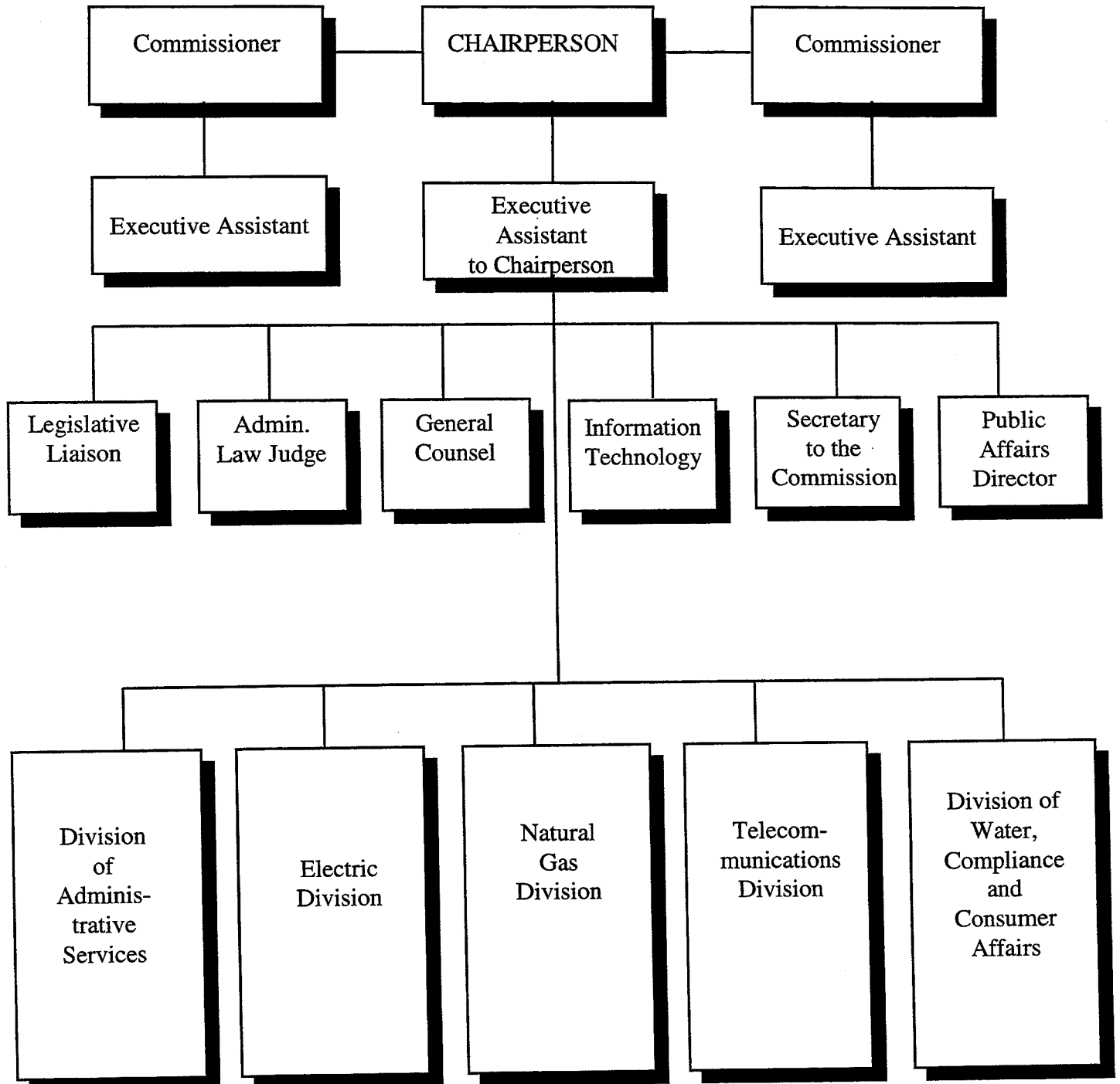


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REGULATORY MISSION

PSC Sets Utility Rates, Service

The Public Service Commission of Wisconsin (Commission) is an independent regulatory agency responsible for the regulation of 1,430 Wisconsin public utilities, including those that are municipally owned. The Commission's purpose is to ensure that, in the absence of competition, safe, adequate, and reasonably priced service is provided to utility customers.

The Commission sets utility rates and determines levels for adequate and safe service. Other major responsibilities include the approval, rejection, or modification of 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 Over 1,430 Utilities

As of June 1, 1999, the Public Service Commission's regulatory powers and duties extend to various aspects of the rates and services of:

94	Electric utilities (82 municipal)
13	Gas distribution utilities
1	Heating utility
40	Sewer utilities (combined with water)
84	Telecommunications utilities
581	Water utilities
	496 municipally owned
	75 sanitary districts
	10 investor-owned
617	Alternative Telecommunications Utilities (ATUs)
1,430	Total Utilities

In Wisconsin, most activities of the 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. The rates and charges of many telecommunications providers are also no longer subject to direct Commission authority.

* * *

ELECTRIC DIVISION

Reliability

Wisconsin's electric reliability situation has seen steady improvement over the last two years. Nuclear units have returned to service across the region, some transmission improvements have been implemented, new generating capacity has been placed in service, and utilities have increased capacity at several combustion turbine facilities. All nuclear units in Wisconsin were back in service by the summer 1998 and the remaining nuclear units in Illinois returned to service by the summer 1999. The 180 MW merchant plant in DePere, a 25 MW combustion turbine in Manitowoc, capacity upgrades at Wisconsin Electric Power Company's Concord and Paris generating stations and 20 MW of new wind generation in Kewaunee County all contributed to increased electric supply. An additional 950 MW of generating capacity is in various early construction phases and is expected to be in service by summer 2000.

The electric transmission system continues to be constrained, limiting Wisconsin's ability to import adequate levels of electricity. Several projects in northern and western Wisconsin have been approved for construction. Additional high voltage transmission connecting Wisconsin and Minnesota is being proposed by several investor owned utilities. Wisconsin Public Service Corporation in Green Bay and Minnesota Power in Duluth plan to seek regulatory approval to construct a 345 kV high voltage electric transmission line from Duluth, Minnesota, to Wausau, Wisconsin.

New Generation

In Advance Plan 7 (docket 05-EP-7), the Public Service Commission of Wisconsin (Commission) approved the

utilities' forecast and supply plan for electric generation facilities in Wisconsin for the period 1994 to 2013. Based on the information in dockets 05-EP-7, 05-EI-112, and 05-BE-103, the Commission determined that an unmet need existed for approximately 500 MW of additional power plant capacity. In September 1997, the Commission found that certain Wisconsin utilities had insufficient generating resources planned for construction through the year 2002 and ordered three Wisconsin utilities to submit updated supply plans to procure the needed additional capacity.

The Commission concluded that the following utilities should each submit a specific plan to meet an identified need of firm capacity beyond that covered in the utility's resource plan:

1. Wisconsin Electric Power Company (WEPCO) 250 MW
2. Madison Gas and Electric Company (MGE) 100 MW
3. Alliant (formerly Wisconsin Power and Light Company) 170 MW

Wisconsin Act 204 (Act 204) established timelines for procuring this capacity as new generating sources located in eastern Wisconsin. The new law, effective May 12, 1998, established an accelerated regulatory review and approval process for the construction of new electric power plants.

WEPCO selected SEI Wisconsin, LLC (SEI) as the winning bidder to construct its needed resources. An application was submitted, an environmental impact statement written, hearing held, and Commission decision made within the 90-day period. The Commission granted SEI's request for a Certificate of Public Convenience and Necessity (CPCN) application in February 1999. The

application permits SEI to build and operate a combustion turbine electric generation plant consisting of two simple-cycle turbines for a total net plant output of 300 MW. This plant will be located on 26 acres in the town of Neenah, Winnebago County, and is expected to be operational by June 2000.

MGE and Wisconsin Public Service Corporation (WPSC) jointly filed an application for a Certificate of Authority (CA) to construct and place in operation an 83 MW simple cycle combustion turbine at WPSC's existing West Marinette Generating Station located in the town of Peshtigo, Marinette County. In December 1998, the Commission granted the application for a CA to construct and place in operation an 83 MW simple cycle combustion turbine as described above. This turbine is expected to be operational by June 2000.

Alliant selected RockGen Energy LLC (RockGen) as the winning bidder to construct its needed resources. RockGen filed an application for a CPCN to construct a 525 MW combustion turbine electric generation facility in either the town of Christiana, Dane County, or the town of Johnstown, Rock County. Alliant and WEPCO also filed applications for transmission system improvements associated with the generation facility. In December 1998, the Commission granted RockGen's application for a CPCN to build the generation facility in the town of Christiana with an anticipated in service date of June 2000. The decision in this case has been appealed by various parties in the case.

Chisago Project

In September 1996, Northern States Power Company-Wisconsin, Northern States Power Company-Minnesota (NSP), and Dairyland Power Cooperative (DPC) applied to construct two electric transmission line projects: (1) the Chisago Project, and (2) the Stone Lake Project. The Stone Lake

Project included construction of a 161 kilovolt (kV) Stone Lake-Bay Front transmission line in Wisconsin from the Farmers Inn Substation in Hayward to the Bay Front Substation in Ashland. The Commission approved the Stone Lake Project in April 1998 considering its early need.

The Chisago Project included a new 38-mile, 230 kV transmission line between the Chisago Substation in Chisago County, Minnesota, and the Apple River Substation in Polk County, Wisconsin. It also included a new 15-mile, 115 kV transmission line between the Chisago Substation and a new substation near Taylors Falls, Minnesota, and rebuilding an existing 69 kV line between this new substation and the Apple River Substation.

In June 1999, the Commission authorized construction of the Chisago Project, recognizing the growing need for electricity in northwestern Wisconsin and east central Minnesota. It stressed the need to minimize visual and construction impacts to the St. Croix National Scenic Riverway. The Commission prefers that the 230 kV line shall cross the St. Croix River underground south of the city of St. Croix Falls, that it be constructed using bluff to bluff horizontal drilling, and that the transition stations be placed without marring the scenic view of the river.

The Minnesota Environmental Quality Board, the U.S. Army Corps of Engineers, the National Park Service, and the Departments of Natural Resources of Wisconsin and Minnesota are still reviewing the project. To give these agencies flexibility, the Commission approved another river crossing at the existing dam in the city of St. Croix Falls.

Opportunity Sales Rulemaking

On April 27, 1998, the Governor of Wisconsin signed into law Wisconsin

Act 204 (Act 204). Act 204 resulted in significant changes to Chapter 196 of the Wisconsin Statutes: Regulation of Public Utilities. One of the changes included in Wisconsin Act 204 was the creation of Wis. Stat. § 196.03 (5m), which states:

196.03 (5m) The commission shall promulgate rules establishing requirements and procedures for the commission, in setting rates for retail electric service, to reflect the assignment of costs and the treatment of revenues from sales to customers outside this state that the public utility does not have a duty to serve.

The Commission may apply these same rules to sales of electricity by a public utility to in-state customers that the public utility does not have a duty to serve.

The Commission submitted proposed draft rules to the Legislative Council staff by the November 1, 1998, deadline required by the statute. The comments received from the Legislative Council staff were incorporated into the Commission proposed draft rule by Commission staff. These proposed rules were the subject of a Commission sponsored rulemaking hearing held February 11, 1999, for input from interest parties. The Commission anticipates sending to the Legislature final proposed rules by the end of 1999 after reviewing the comments of Legislative Council staff and interest parties in this rulemaking proceeding.

Y2K

The Public Service Commission (PSC) sent out a survey July 22, 1998, to assess Y2K efforts of utilities in Wisconsin. On April 8, 1999, the PSC unveiled its Y2K website to provide information and status updates on Wisconsin utilities. The PSC will continue to monitor utilities and update the Y2K efforts and information as it becomes available. A joint follow-up survey for the

electric and gas utilities was sent out May 5, 1999, to check on Y2K progress and new developments. The PSC Y2K website has been continuously updated with new information as it is acquired. The PSC also participated in the initial June 29, 1999, Y2K exercise at the State Emergency Operations Center.

On June 22, 1999, a letter was sent to all Wisconsin electric and gas utilities requiring Y2K contingency plans to be developed and filed with the PSC by September 1, 1999. Each utility must also provide written confirmation to the Commission by November 1, 1999, that all essential delivery systems are Y2K compliant or Y2K ready. A PSC Y2K audit team may verify Y2K related efforts in the near future.

Stray Voltage

There have been 48 formal and 88 non-formal applications and requests for stray voltage investigations since the last biennial report. Rural Electric Power Services (REPS) handles as many as 30 contacts, complaints, and information requests from dairy farmers, electric utilities, electric cooperatives, dairy equipment dealers, dairy nutritionists, consultants, engineers, veterinarians, electricians, legislators, and the media each day. The stray voltage program authored and presented two significant papers for the 1998 and 1999 meetings of the American Society of Agricultural Engineers. The REPS' program helped the University of Wisconsin develop and conduct a beginner's course, an intermediate course, and a new advanced stray voltage-troubleshooting course in 1999. REPS participated in the ongoing research by Dr. Doug Reinemann at the University of Wisconsin into stray voltage effects on dairy animals (in a joint effort with the State of Minnesota). Members of the stray voltage program attended and participated in the Stray

Voltage Summit in December 1998 and staffed booths at Farm Progress Days and several county fairs in 1998 and 1999. REPS also conducted field inspections of utility systems, farm-wiring systems, and stray voltage complaints in accordance with PSC stray voltage dockets 05-EI-106, 05-EI-108, and 05-EI-115, and actively participated in the Department of Agriculture, Trade and Consumer Protection's Stray Voltage Advisory Council activities.

Strategic Energy Assessment

The Wisconsin Act 204 (Act 204) requires the Commission to promulgate administrative rules that establish requirements and procedures to be applied when preparing and issuing a Strategic Energy Assessment (SEA) for electric power. The SEA constitutes a new biennial report analyzing Wisconsin's electric power supply and demand situation over a three-year period. The 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. Act 204 created the following 11 requirements for the SEA:

1. Identify and describe large electric generating facilities on which an electric utility plans to commence construction within three years.
2. Assess the adequacy and reliability of purchased generation capacity and energy to serve the needs of the public.
3. Identify and describe high-voltage transmission lines on which an electric utility plans to commence construction within three years.
4. Identify and describe any plans for assuring that there is an adequate ability to transfer electric power into the state

and the transmission area in a reliable manner.

5. Identify and describe the projected demand for electric energy and the basis for determining the projected demand.
6. Identify and describe activities to discourage inefficient and excessive power use.
7. Identify and describe existing and planned generation facilities that use renewable sources of energy.
8. Consider the public interest in economic development, public health and safety, protection of the environment, and diversification of sources of energy supplies.
9. Assess the extent to which the regional bulk-power market is contributing to the adequacy and reliability of the state's electrical supply.
10. Assess the extent to which effective competition is contributing to a reliable, low-cost, and environmentally sound source of electricity for the public.
11. Assess whether sufficient electric capacity and energy will be available to the public at a reasonable price.

During the fall of 1998, the Commission commenced its rulemaking process with respect to the SEA. The full Commission is expected to make its decision on the final draft of the proposed SEA and CPCN rules during the summer of 1999. After the Commission's decision, the proposed rules along with Commission changes will be forwarded to the Wisconsin Legislative Council staff's Rules Clearinghouse. The final rules for the SEA and CPCN are expected to be forwarded to the Legislature during the fall of 1999. This process is being followed because SEA rules need to be promulgated in sufficient time to allow the first SEA to be created by July 1, 2000.

Wholesale Merchant Power Plants

Wisconsin Act 204 (Act 204) created statutes governing the building and operating of non-regulated wholesale merchant electric power plants in the state of Wisconsin. Prior to the enactment of Act 204, the construction of such plants was not legal. Wholesale merchant power plants are now free to construct a generating facility without economic regulation and sell the electric power in deregulated wholesale electric power markets. However, wholesale merchant power plants are still subject to Wisconsin siting and environmental regulatory requirements.

Potential buyers from merchant power plants in deregulated wholesale electric power markets include but are not limited to Wisconsin utilities, regional and national electric power brokers and marketers, as well as out-of-state utilities. Act 204 and its provision allowing wholesale merchant power plants was created, in part, to enhance reliability in the generating and transmission of electric power to Wisconsin citizens. Act 204's provisions allowing wholesale merchant power plants essentially means that competitive market forces will now be relied on for the construction of electric power facilities, rather than the regulatory planning paradigm practiced in the discontinued Advance Plan.

In addition to making wholesale merchant power plants legal for independent power producers, Act 204 also allowed, under strict economic conditions, the possibility that unregulated affiliates of Wisconsin public utilities could construct wholesale electric power generating facilities. Such public utility affiliated power generating facilities would then be able to compete with similar independent power producers' facilities. In order to allow such public utility affiliates to compete, however, Act 204 set forth two strict economic conditions: that the public

utility's transmission system be controlled by a regional independent system operator and that no substantial anti-competitive effect occur. Anti-competitive effects are usually associated with increases in horizontal market power. Horizontal market power refers to the ability of both the public utility and its affiliate to manipulate electricity production in such a way as to adversely affect market prices.

In order to gauge the extent of any potential horizontal market power prior to any Commission approval, Act 204 requires the Commission to promulgate administrative rules establishing requirements and procedures for an affiliated interest to apply for approval to own, control, or operate a wholesale merchant plant. In discharging this responsibility, on October 29, 1998, the Commission approved proposed rules to revise Wis. Admin. Code ch. PSC 100.

These proposed rules:

1. Describe the showing that an applicant is required to make for the Commission to grant approval to own, control, or operate a wholesale merchant plant.
2. Establish screening tests and safe harbors for proposed wholesale merchant plant projects, including projects in which an affiliated interest is a passive investor and over which the affiliated interest is not able to exercise control or influence and projects in which the affiliated interest's ownership interest is less than five percent.
3. Describe the Commission's analytical process in making its determination and the factors it uses in making its finding.
4. Allow an interested person to request a hearing on an application.

The final version with Commission approved adjustments is to be forwarded to the Legislature by the fall of 1999.

“Wisconsin Focus on Energy” Energy Efficiency Pilot

In November 1997, the Commission became concerned about the consistency of Wisconsin Public Service Corporation's (WPSC) energy efficiency plans with Commission policy. In December 1997, in its Enunciation of Policy and Principles on Public Benefits, docket 05-BU-100, the Commission outlined its policy concerning the preservation and enhancement of energy efficiency programs. Out of these efforts arose a decision to explore with the Department of Administration (DOA) and WPSC the establishment of a pilot project for the non-utility delivery of energy efficiency programs.

Wisconsin Focus on Energy is a \$16.75 million, two-year energy efficiency program designed to test the viability of approaches that begin the transition from public utility delivered energy efficiency programs to a competitive marketplace. It represents a cooperative effort between the Public Service Commission of Wisconsin (PSC), WPSC, and the Wisconsin Department of Administration (DOA). The DOA will facilitate the delivery of a major portion of WPSC's energy efficiency demand-side management programs that the PSC would otherwise have required WPSC to implement. The pilot is limited to residents in the 23 county area that encompasses WPSC's service territory and is being funded by WPSC's ratepayers. The DOA will test various programs and services in an attempt to discover which types of activities may promote self-sustaining gains – gains that continue even after the programs have been completed. The pilot will also attempt to demonstrate if Wisconsin can sustainably promote energy efficiency and renewable energy without

new taxes or major increases in bureaucracy. The pilot will end July 1, 2000.

Transmission Reinforcement Examined

During the spring and summer 1998, the PSC carried out a study of the regional transmission system in conjunction with utility transmission planning personnel and a consultant working for the PSC. This study was in response to 1997 Wisconsin Act 204, which required the PSC to identify constraints on the regional transmission system as well as solutions to these constraints. The results of this study were reported in the PSC's September 1998 report to the Legislature. This report identified 12 transmission reinforcement projects, from the several dozen examined in the course of the study, that were deemed to merit further consideration.

After the PSC report was concluded, utility staff participants continued more detailed analysis of seven of these plans, as well as more fully addressing environmental impacts and other issues.

This group completed its own final report in June 1999. The PSC participated in this process; monitoring the work and making suggestions intended to improve the analytical quality of the study effort. This report contains a recommendation on the part of the participating utilities that a new high-voltage transmission line be built between Duluth and Wausau. The analysis included in the report is expected to form the foundation for a utility application to build this transmission line. PSC involvement with this study over the last year will be of great value as the process of assessing the application and reaching a decision on the project proceeds.

Public Service Commission

Electric Rate Cases

Class A Investor-Owned Utilities

Docket	Utility	Dollars Requested	Dollars Granted	Final Order	Percent Change
6630-UR-110	WEPCO	\$192,700,000	\$160,177,000	4/30/98	12.7
6690-UR-111	WPSC	36,200,000	26,942,000	1/15/99	6.3
4220-UR-110	NSP	12,692,000	7,256,000	9/15/98	2.5
3270-UR-109	MGE	14,600,000	8,402,000	1/15/99	5.1

WEPCO — Wisconsin Electric Power Company
WPSC — Wisconsin Public Service Corporation
NSP — Northern States Power Company
MGE — Madison Gas and Electric Company

Note: Rate changes above do not include interim fuel surcharges or the surcharge to recover repairs at Kewaunee

NATURAL GAS DIVISION

Restructuring

During the last two years, the Commission made decisions on natural gas industry restructuring in three phases of its generic docket 05-GI-108. An outcome of Phase III of the generic docket was to establish work groups to address the issues that needed to be resolved prior to substantial restructuring or deregulation of regulated services. Work is now being done in these areas that will lay the foundation for competition and deregulation.

Consumer Protections: Having consumer protection safeguards in place prior to deregulation has been a Commission priority. Therefore, two work groups were established to address the issues. Both groups have spent a considerable amount of time during the last two years working on solutions and expect to receive direction for future activities early in the fall 1999 from the Commission.

Marketer Certification-Registration, 05-GI-108/05-BG-101. In October 1997, a technical conference was held with marketers and other interested parties to discuss ideas for a certification process for natural gas marketers that wish to sell natural gas to small firm users (residential and small commercial customers). After analysis, Commission staff prepared a comprehensive draft tariff that would have given each gas utility the responsibility of applying the certification process through enforcement of its tariffs. This was circulated for comment and was met with opposition from most. Commission staff intends to analyze statutory and regulatory tools that would best fit the needs of consumer protection and reliability of service related to the unbundling of natural gas sales to those classes of customers.

Consumer Protection and Essential Services, 05-BG-100. A Commission appointed independent workgroup issued an advisory report in April 1999, which reflects the culmination of more than a year's work by the group. The intent of the report is to assure that all essential use customers, including low income customers, can participate and benefit from any competition or deregulation with respect to the provision of natural gas; and that affordable, safe, reliable, and cost-effective energy services should be available to all Wisconsin customers. Within the context of process and industry infrastructure, the report addresses Chapter PSC 134 protections, accessibility protections, affordability, consumer education, privacy and confidentiality protections, dispute resolution, and marketing practices. The Commission has not yet reviewed the advisory group's report.

Unbundling Service and Competitive Choice. The Commission has chosen to move forward with deregulation on a deliberate, incremental basis, thus assuring safeguards and reliability remain a high priority. Nonetheless, deregulation is moving forward albeit on a small scale. The Commission and the gas industry has learned much from the Wisconsin Gas Company pilot program and the Madison Gas and Electric Company non-telemetered transportation service. They will enable the Commission to move forward with fewer problems and greater success when it is appropriate to offer such programs to the greater public.

Wisconsin Gas Company's "Gas Advantage" Pilot. Wisconsin Gas Company (WGC) has a non-telemetered pilot program that allows a limited number of residential and small commercial

customers to choose their own gas supplier. WGC is responsible for delivery of the gas to customers through its natural gas distribution pipeline network in its service territories. The program is currently in its third year of operation. Each year the program has been expanded and modified somewhat so that it continues to be a learning tool and to bring the program structure closer to true competition.

Madison Gas and Electric Company's Comprehensive Balancing Service. Madison Gas and Electric Company (MGE) offers its medium-sized commercial customers the option of choosing their own gas supplier. In effect, MGE assigns the interstate pipeline capacity it has reserved for these customers to the customer or marketer supplying the customer. This capacity is used to carry customer-purchased gas over the interstate transmission system. At times when 100 percent of the capacity is not needed, it can be resold by the customer or its marketer.

These two programs are unique because they make transportation service (gas supplied by an entity other than the local utility) affordable to smaller customers. For more than ten years it has been cost-effective for very large customers to purchase gas on their own or through marketers. To do so has always required the installation of a telemeter so that daily meter readings could be accumulated for each customer and daily usage could be balanced with daily nominations. The cost of the telemeter and the monthly telemetering fee made transportation service costs prohibitive for smaller customers. The WGC and MGE programs eliminate the need for a telemeter, thus bringing the costs down substantially. The WGC pilot uses algorithms to estimate daily usage in lieu of actual telemeter readings. The MGE program charges a balancing fee and then provides the daily swing to accommodate actual usage variances from predetermined levels.

In recent rate cases, two other major utilities have been directed to develop non-telemetered transportation service for smaller customers. Any new concepts they propose will continue to move the learning curve and raise customer awareness.

Many large industrial customers have alternate fuels and hence subscribe to interruptible service. The majority of these customers choose to get their gas supplies from sources other than the utility, but some customers still choose to take interruptible service from their local utility. For many of the gas utilities, this service is priced using a market rate, but within a cost-based ceiling and floor. This is one more tool used to move closer to a deregulated environment.

Interstate Pipelines

Although several interstate pipelines serve parts of Wisconsin, the state is largely dependent on one pipeline that supplies over 75 percent of the state's peak day requirements. During this biennium period, several pipeline projects have been announced. Should one be built (approval lies with the Federal Energy Regulatory Commission (FERC)), it would offer competitive choice to Wisconsin.

The first pipeline proposed to be built was called Viking Voyageur. The Viking Voyageur pipeline would have brought Canadian gas through Wisconsin to the Chicago area. Most of the Wisconsin gas utilities could have built connecting laterals to take advantage of a competitive choice. Although this project never went forward, key policy decisions regarding issues such as allowing rate recovery for the holding of duplicative capacity, were made at the state level that will come into play should other pipeline projects obtain the necessary support and FERC approval.

Currently there are several pipeline proposals that have been announced. Generally, these proposals would bring gas

up from the greater Chicago area to southeast Wisconsin. All proposals provide additional capacity needed for growth in Wisconsin and provide competitive alternatives, although none of the current proposals would provide the extensive access that the proposed Viking Voyageur Pipeline would have provided. Although approval to build pipelines is at the federal level, the Commission is very involved in the proposed projects. Utilities need Commission approval to include contracts with the proposed pipelines in their supply portfolio. They also need Commission approval for any necessary lateral construction to connect the utilities' systems to the interstate pipelines.

The major pipeline currently serving most of Wisconsin has also announced several projects to expand its current capacity into the state. Should the expansion occur, it will bring additional capacity into the state to help meet future growth.

Alternatives to Traditional Regulation

Gas Cost Incentive Mechanisms. In its generic order 05-GI-106, dated November 6, 1996, the Commission gave natural gas utilities the option to request an incentive mechanism applicable to recovery of gas costs. In this biennium period many of the larger gas utilities have applied for various incentive mechanisms. These mechanisms are subject to an annual PSC review. Although the mechanisms employed by the different utilities vary in scope and risk, to date they have outperformed the established benchmarks and returned money to both the ratepayers and stockholders through predetermined sharing mechanisms.

Wisconsin Gas Company Productivity-Based Alternative Ratemaking Mechanism. Wisconsin Gas Company (WGC) continues to successfully operate under its productivity-based

alternative ratemaking mechanism (PARM). It was initially a three-year program granted in 1994 that gave WGC pricing flexibility within a cost-based rate cap. With several extensions, the PARM is scheduled to continue through October 31, 2001. Under the PARM, WGC has reduced rates several times and increased them in 1998. Current rates are approximately \$1 million lower than the rate cap. Annual success measure reports are filed with the Commission that compares actual results to targeted goals. Overall, WGC has continued to successfully meet its pre-established goals.

Federal Intervention

Long-Term and Short-Term Federal Policies Concerning Interstate Pipeline Transportation. The Federal Energy Regulatory Commission (FERC) issued a notice for proposed rulemaking (NOPR) on the regulation of short-term natural gas transportation service and a notice of inquiry (NOI) on the regulation of interstate natural gas transportation services under docket numbers RM98-10-000 and RM98-12-000 respectively. Taken together, these two notices may have far-reaching impacts on the regulation of the natural gas industry.

RM98-10-000 is a proposal for an integrated set of revisions to the FERC's regulation of short-term transportation and storage services. These revisions were proposed because the FERC believes the market for short-term transportation services has changed significantly over the past several years.

RM98-12-000 seeks comments on the FERC's regulatory policies for interstate natural gas transportation services in view of the changes that have taken place in the natural gas industry in recent years. The FERC is particularly interested in comments on its pricing policies in the existing long-term market and pricing policies for new capacity.

The Commission has intervened in both of these federal dockets and has filed extensive comments. Our comments in RM98-12-000 suggest that by eliminating the discount adjustment mechanism (whereby discounts given customers with competitive choices are added to rates of customers with no alternatives), implementing term-differentiated rates (acknowledging that longer term contracts are less risky for pipelines and hence should cost utilities and other pipeline users less than short-term contracts), and by implementing rate designs other than the straight-fixed-variable (SFV) approach prices for pipeline services would more closely approximate those that would occur in a truly competitive market. The comments submitted under docket RM98-10-000 are extensive.

The Commission supports the FERC's goal of creating greater competition among short-term services than presently exists and suggests that artificial constraints on competition should be eliminated. We have expressed support for the concept that additional information on capacity availability, market structure and capacity transactions will enhance the ability of market participants to make informed transactions and to monitor the market for evidence of market power. Because of the potential significant impacts to customers in Wisconsin, the Commission will maintain an active role in whatever process is established.

Pipeline Rate Cases. ANR Pipeline, which provides in excess of 75 percent of Wisconsin's peak day load, settled its rate case and received FERC approval in February 1998. This was the first rate case ANR had filed following the FERC Order 636 which removed the pipeline from the gas merchant function and unbundled pipeline transportation, storage, and other services. The public benefits to Wisconsin ratepayers included a \$110 million reduction from the requested cost of service, refunds

of \$67 million, and a rate case moratorium of 22 months. While Commission staff's participation in the settlement process was undoubtedly beneficial, the effect on the settlement of a competing proposed pipeline into Wisconsin cannot be underrated.

Essential Use Facilities and Backup Service Requirements

With the advent of open-access interstate pipeline transportation service in the mid-1980s, the Commission deemed it appropriate to address the possible impacts for Wisconsin natural gas customers. The Commission issued an Enunciation of Principles in docket 05-GI-102, dated July 9, 1987. The Commission adopted a conservative approach toward transportation service because the level of reliability was not known. The Commission required essential use facilities (schools, hospitals, nursing homes, and similar facilities), that chose to arrange for their own transportation service rather than continue to take it from their local utility, to subscribe to back-up service from the utility or have a back-up source of fuel. This limited the cost savings these institutions could derive from moving to transportation service, and thus limited the number of customers who could move to transportation service economically. Even so, the Commission considered it a necessary requirement since it is imperative that these facilities have heat in the winter months.

On July 1, 1998, in docket 05-GI-110, the Commission found that it was no longer reasonable or necessary to designate non-residential school facilities as essential use facilities. The Commission took numerous factors into consideration including the ten years of actual experience since transportation service became an option.

For the remaining essential use facilities, the back-up requirements are currently being reviewed in docket

05-GI-111. A technical conference is expected to be scheduled in the later half of 1999 where issues and concerns will be discussed.

Mergers and Acquisitions

There has been much activity in this area in the 1997-1999 biennium period. The proposals involving major energy utilities all included combined gas and electric utilities. For details, see the comments in the Electric Division section of this report. Natural Gas, Inc., one of the smallest gas utilities in the state, was purchased by Northern States Power-Wisconsin. A hearing was held and an order approving the sale was issued June 17, 1998. The transaction was accounted using the pooling of interests method.

Natural Gas Construction

During the last biennium, the Commission issued 52 orders and letter orders in gas construction cases. This reflects a level of activity similar to that experienced during the last biennium. Two of these cases involved expansion into new service territories in the northern part of state and competition between two utilities for the right to provide service. In Vilas County, the Commission allocated service territories between the two competing utilities. In the Nichols/Navarino case, the service territory was awarded solely to Wisconsin Public Service Corporation. The 52 cases also included three orders providing service for electric power plants (two new and one conversion/upgrade) and three system reinforcements.

Pipeline Safety Rules

During this last biennium, the Commission moved ahead with its review and updating of the pipeline safety rules.

This included incorporating the latest changes at the federal level. After a hearing, the Commission adopted the rules in early 1999. At the end of the biennium, final adoption and implementation was anticipated pending legislative review.

Asset Cap

Current statutory provisions limit energy utility holding company investments in non-utility entities. The viability and appropriateness of this restriction was questioned given the developments in the energy utility industry since the law's enactment in the early 1980s. One holding company, Alliant, applied to the Commission for a review of the statute and its interpretation as it applied to its own situation. The holding company was concerned about the impact of the statute on its current and proposed investments.

This issue spurred action on the part of the Legislature. A bill, Reliability 2000, was introduced to examine and redraw these strictures. The proposed legislation would redefine what investments are considered as counting towards the asset cap. At the end of this biennium, the discussion was still pending at the Legislature.

Natural Gas Rate Cases

An attached schedule shows rate case actions for this biennial period. Two cases warrant some discussion because the innovative rate designs are substantial changes from prior practices.

Wisconsin Fuel and Light Company, 6640-GR-106, Part B. Although this case did not change the utility's revenue requirement (total revenues received by Wisconsin Fuel and Light Company (WF&L) did not change), it drastically changed how the revenues would be collected. Many of the costs incurred by WF&L do not vary with the level of use by

customers. Therefore, WF&L proposed that these costs be collected based on a fixed flat monthly basis. The Commission found WF&L's rationale compelling, but modified the level of costs that were shifted away from volumetric collection to fixed, flat collection. For a residential non-space heating customer, this resulted in a monthly fixed charge increase from \$5 to \$10.50. For residential space heating customers the monthly fixed charge increased from \$5 to \$14.44. All customers receive a correspondingly lower volumetric charge. Large industrial customers using more than 50,000 therms annually also saw a shift away from volumetric charges to fixed charges; however, their fixed charges are based on their individual load characteristics, whereas smaller customers fixed charges are based on customer class averages.

The rate design was approved by the Commission on March 25, 1998, but the new rates did not go into effect until January 1, 1999. This gave WFL an opportunity to educate its customers concerning the changes and how they might be affected. It also gave customers time to make appropriate changes that could lower their bills. On average, customers using an average number of therms for their rate class experience little change in their total annual gas bill. With more fixed collections however, bills would be higher in summer months and lower in the winter when compared to the old rate design in which most costs were recovered volumetrically. Customers with usage significantly higher or lower than the class average would experience the most significant total bill changes under the new rate design.

Wisconsin Electric-Gas Operations, 6630-UR-110. An order dealing solely with Wisconsin Electric-Gas Operation's (WE-GO) gas rate design and tariff issues was issued March 25, 1999. Significant changes were made to accommodate the changing environment in which about 40

percent of the gas flowing through WE-GO's service area is transportation customers' (customers that procure their own gas supplies or use marketers) gas.

Ten operating zones were created to reflect the physical limitations of WE-GO's distribution system. When transportation was a relatively small portion of total sales, marketers delivering gas to a gate from which gas cannot flow to a particular customer posed little difficulty because WE-GO simply rebalanced its system customer loads to accommodate the physical limitation created by the marketer. However, with transportation customers now accounting for 40 percent of the load, it is becoming increasingly difficult for WE-GO to rebalance the load. A potential cost-shifting problem also arose from this situation. All gas to serve the distribution territory cannot come in at one gate. Should transporters be allowed to use the entire capacity at gates connected to the least expensive supplies, the WE-GO system sales customers would then be left with the more expensive supplies. Ten operating zones were thus created. Customers within those zones must now be served through the gates connected to the specific operating zone. This will help ensure the reliability of the distribution system and prevent potential cost shifting.

Another major change affecting transportation customers is the new balancing tariffs. Because both the utilities system sales customers' gas and the transporters' gas come through the same pipeline and are measured collectively at the city gate, the accounts must be "balanced" on a daily basis. This is because the FERC-regulated pipeline tariffs require all users of the pipeline to submit daily use nominations. Actual use is compared to nominated levels and variations beyond a tolerance level (contract dependent) will be penalized. Utilities subscribe to pipeline services that give them daily flexibility in usage levels and delivery points. The rates for these

services are built into the system sales customers' bill, but are a separate service offered to transportation customers.

In the past, the balancing charges transportation customers paid varied each day, depending on how much they were out of balance (how much actual usage varied from the nominated level). This case changed the rates from a totally variable rate to a fixed rate, with a small volumetric (variable) charge. Transportation customers now determine what level of this service to subscribe to based on their past fluctuations and how well they can control their usage. These customers then pay a fixed monthly charge for the level of service they choose

plus penalties if they exceed their contracted level. They also continue to pay a volumetric charge, but it is now quite small compared to what it had been.

This enables WE-GO to better plan for meeting the requirements of all its customers. It minimizes the level of fluctuations that will occur because transportation customers now have a financial incentive to subscribe to the level of balancing service needed and then to manage their own usage to stay within their contracted level. This helps the utility plan better and minimizes total costs.

Natural Gas Rate Case Actions

Docket Number	Utility Name	Dollars Requested	Dollars Granted	Final Order	Percent Change
2000-GR-100	FU	\$ -42,075	\$ -12,703	4/22/98	-1.5
3270-UR-109	MGE	4,600,000	728,000	1/15/99	0.7
4220-UR-110	NSP	-1,708,000	-1,936,000	9/16/98	-2.2
6640-GR-106, Part B	WFL			3/25/98 ¹	
6630-UR-110, Interim	WEPCO	26,500,000	18,521,000	4/30/98	5.5
6630-UR-110, Final	WEPCO		18,497,000	3/25/99 ²	5.4
6690-UR-111	WPSC	11,200,000	10,280,000	1/15/99	5.1

FU Florence Utilities
MGE Madison Gas and Electric Company
NSP Northern States Power Company
WFL Wisconsin Fuel and Light Company
WEPCO Wisconsin Electric Power Company
WPSC Wisconsin Public Service Corporation

* * *

¹ See discussion above. Rates only changes.

² See discussion above. Rates only changes, effective 7/1/99.

WATER, COMPLIANCE, AND CONSUMER AFFAIRS

Regionalization/Coordination Efforts of Water Utilities

The Commission assisted several water systems in their planning efforts to meet expanding water supply needs. In the case of the Town of Fond du Lac (Town), the Town applied to construct a new water utility. Because of a very small initial customer base, Commission staff estimated the water charge to an average residential customer on this new system at over \$300 per quarter. Commission staff suggested to the Town that since the village north of Fond du Lac (Village) was willing to supply wholesale water, it might be profitable for it to be the retail supplier. In exchange for a reasonable premium, the Village agreed to assume this retail responsibility. Even with the surcharge, rates are only about \$55 per quarter. The Village gained added customers and the associated revenues without expanding its existing capital investment; the Town met its development commitments on time and at a favorable rate; and the Commission circumvented construction of a small, financially strapped water utility.

Wisconsin Gas Company (WGC) acquired the city of Mequon Water Utility in 1998. Currently WGC is constructing facilities to extend treated Lake Michigan water supply purchased from the Milwaukee Water Works (MWW) into the city of Mequon. In a similar but separate project, WGC has been authorized by the Commission to build transmission and distribution facilities to carry Lake Michigan water from the North Shore Water Commission's water purification plant into a portion of the village of Bayside. These two projects when completed will replace the limited groundwater-well supplies

currently serving a portion of the residents of these two communities.

The MWW recently began selling Lake Michigan water at wholesale to the village of Menomonee Falls. The MWW currently provides either retail or wholesale water service to a number of the suburbs. This availability of high quality, plentiful Lake Michigan water at competitive rates is important to the continued maintenance and growth of the greater Milwaukee Metropolitan area.

Negotiations between the village of Withee (Withee) to supply wholesale water to the city of Owen (Owen) is the most recent example of a cooperative effort to meet water supply needs. Faced with expanding its water supply capacity, Owen was planning to construct well and treatment facilities that would have required increasing water rates nearly 275 percent. Withee has adequate supply but is in the process of erecting additional elevated storage. Because of the proximity of these two communities, Commission staff became involved and encouraged discussion between the two communities. An agreement was developed which greatly reduces Owen's project cost and will minimize the needed rate increase. In return, Withee gains Owen as a large customer, which will help Withee stabilize its future operation and maintain rates favorable to its residents.

The Commission remains committed to addressing regulatory issues that further the regionalization and improvement of water supply to areas in need. The ready availability of pure and abundant water supply at a reasonable cost makes Wisconsin a great place to live and work.

Joint Local Water Authorities

The Commission developed administrative rules to assist entities that are created under the new statutory provision (Wis. Stat. § 66.0735) for Joint Local Water Authorities. Such authorities can be formed to acquire and/or construct facilities to supply wholesale water to member entities. The authorities must apply and receive Commission certification of public convenience and necessity (CPCN) before issuing any bonds to finance capital construction programs. A Joint Local Water Authority is not regulated by the Commission except for the CPCN requirement. One of the earliest applications under this new rule is likely to be for the communities comprising the Central Brown County Water Commission (CBCWC). The CBCWC sponsored the enabling legislation to aid it in acquiring a Lake Michigan water supply. The final rules have been adopted and go into effect on September 1, 1999.

Mobile Home Park Regulation

In April 1998, the Legislature enacted 1997 Wisconsin Act 229, amending Chapter 196 of the Wisconsin Statutes to require the Commission to regulate the provision of water and sewer service in mobile home parks. As a result of this legislation, Commission staff was directed to promulgate administrative rules to provide protections to occupants of mobile home parks similar to those offered to customers of water and sewer utilities.

The protections cover issues such as deposits, deferred payment arrangements, and procedures for disconnection of service, as well as the reasonableness of the rates charged. Emergency rules went into effect on May 1, 1999, with permanent rules due to be in effect in September 1999.

Complaints From Utility Customers Continue to Increase

Complaints received by the Commission from utility customers continue to increase. In 1998, Commission staff processed nearly 10,000 complaints—twice the number received in 1995. The 9,972 complaints received represent an increase of 6 percent over 1997 and an increase of 47 percent over the 7,072 complaints received in 1996. The telecommunications industry has the largest number of complaints: 74 percent of the total. The number of telecommunications complaints has increased by 65 percent since 1996. Changes in the telecommunications industry, both in the level of regulation and the proliferation of services and charges, are the reasons for the large increase. Complaints regarding electric utilities increased by 34 percent and natural gas complaints decreased by 6 percent.

The largest category of Commission complaints involved billing issues such as deferred payment agreements and disconnections. The increase in billing complaints is driven by increased and more aggressive collection practices and the number of utility customers who are having problems paying their bills.

Process Improvements in Response to Increased Complaints

To help cope with the increasing complaint volume, two process improvements were initiated to increase efficiency:

New Customer Contact Reporting System. An improved system for recording Commission staff contacts with utility customers was developed in 1997 and was implemented in 1998. The system has expanded reporting capabilities, which facilitates more frequent reports and trend

analysis, as well as the ability to easily produce ad hoc reports summarizing the data recorded on the system.

In addition, the system increases complaint mediation efficiency by allowing Commission consumer specialists to transmit information regarding complaints to utilities via e-mail. This was formerly done by telephone contact. The responses received can be transferred electronically into the reporting system eliminating the need for time-consuming entry of narrative information regarding the complaint. Many customers are filing their complaints electronically, using a complaint form that is available on the Public Service Commission web site.

On-Line Complaint Processing. In 1998, the Consumer Affairs Unit began a project with Ameritech to mediate some complaints in "real time" through a three-way conference call involving the customer, a PSC consumer specialist, and an Ameritech customer service representative. This process is used to mediate bill payment disputes when a deferred payment arrangement (a reasonable down payment and monthly payments in addition to the monthly bill) is needed. The three-way calls decrease the amount of time and paperwork needed to resolve the complaint since all parties share the same information, thereby reducing misunderstandings. The process has proven to be efficient for utility and Commission staff, as well as providing immediate resolution for the consumer.

Wisconsin Electric Power Company is now participating in this process; additional utilities will be included in the process as they express interest.

Education

As part of its ongoing effort to provide customer education and to be a major source of utility information, the PSC is using state of the art technology to assist utilities.

Beginning in 1996, the Division of Water, Compliance, and Consumer Affairs (DWCCA) conducted a series of educational seminars. Experimenting with video-conference technology as a medium for training, DWCCA gave training through video links with various sites across the state. The initial seminars were well received by the participants. Building on this success, DWCCA began in this biennium to offer regular videoconference training events targeted at improving water utility understanding of consumer affairs and water regulatory issues.

In this biennium, DWCCA's consumer affairs staff also provided on-site training regarding consumer rules, i.e., the Wisconsin Administrative Code sections pertaining to deposits, deferred payment arrangements, and disconnection procedures. This training was developed and first provided in the spring of 1998 to Wisconsin Electric Power Company management responsible for consumer affairs. It was also provided to Wisconsin Gas Company customer representatives in the fall of 1997 and again in February 1999.

Amortization of General Plant Accounts

The Commission provided Wisconsin's municipal utilities the option of amortizing equipment costs in the General Plant Accounts of the Uniform System of Accounts. Between 1950 and the mid-1970s, the Commission adopted, revised, and prescribed a Uniform System of Accounts (USOA) for all classes of municipally and privately owned utilities. In 1995, the Commission authorized private electric and gas utilities to account for and amortize their investment in General Equipment. In 1999, the Commission provided the same election for municipally owned water, electric, gas, and sewer utilities; and privately owned water and sewer utilities. Those utilities opting for this

accounting treatment are no longer required to identify, track, and inventory large amounts of equipment such as desks, chairs, or copiers with relatively small unit costs.

Electronic Filing of Municipal Utility Annual Reports

In 1999, for the first time all municipal water, sewer, and electric utilities were able to file their annual financial and statistical information with the Public Service Commission using either internet e-mail or

electronic diskette. Both the computer program and the instructions for preparing the report were made available on the PSC's web site to facilitate this process. The conversion from paper to the electronic format was accomplished over a two-year period beginning in 1997. Beginning in February 1998, Commission staff conducted training sessions regarding the preparation and electronic transmission of the information for utility personnel and other preparers of the report. The training sessions were held at locations throughout Wisconsin.

Water Rate Cases

Docket Number	Utility Name	Dollars Requested	Dollars Granted	Final Order	Percent Change
5700-WR-101	Stitzer Sanitary District	\$ 24,971.00	\$ 2,983.00	6/29/99	11
2640-WR-101	Hurley Water Utility	46,008.00	52,654.00	6/28/99	17
3490-WR-104	McFarland Water Utility	68,072.00	61,032.00	6/18/99	11
5270-WR-103	Saukville Water Utility	255,900.00	242,513.00	6/15/99	47
2973-WR-100	Lake Como S.D. #1 Water Utility		460,256.00	6/10/99	N/A
0710-WR-104	Brillion Water Utility	99,469.00	96,475.00	6/08/99	26
4360-WR-103	Oconto Falls Water Utility	153,017.00	171,663.00	6/08/99	57
3460-WR-101	Mayville Water Utility	168,900.00	134,537.00	5/19/99	20
3080-WR-102	La Valle Water Utility	34,325.00	32,968.00	5/17/99	67
3860-WR-100	Montreal Water Utility	15,922.00	29,066.00	5/17/99	34
0720-WR-101	Bristol Water Utility	33,807.00	106,976.00	5/14/99	95
2010-WR-104	Fond Du Lac Water Utility	210,189.00	231,682.00	5/11/99	7
0190-WR-106	Appleton Water Utility	1,621,521.00	1,253,390.00	5/10/99	20
6120-WR-105	Ville Du Parc Water Utility	-49,721.00	-48,172.00	5/03/99	-16
2260-WR-102	Glendale Water Utility	124,860.00	174,177.00	4/30/99	11
5390-WR-101	Shelby Sanitary District No. 2	11,363.00	6,544.00	4/29/99	9
1520-WR-100	Dallas Water Utility	11,410.00	12,506.00	4/29/99	88
6290-WR-102	Waupun Public Utilities	194,500.00	191,096.00	4/28/99	18
0570-WR-102	Blanchardville Water Utility	32,628.00	48,423.00	4/27/99	68
5360-WR-100	Shawano Lake S.D. #1	69,006.14	80,105.00	4/23/99	27
3140-WR-102	Little Chute Water Utility	131,449.00	287,630.00	4/22/99	28
4100-WR-103	New Glarus Light & Water Utility	49,100.00	43,544.00	4/22/99	22
3590-WR-102	Menomonie Water Utility	111,407.00	170,550.00	4/22/99	16
2060-WR-102	Fort Atkinson Water Utility	256,400.00	262,757.00	4/14/99	30
5010-WR-103	Rhineland Water Utility	33,472.00	38,649.00	3/31/99	4
6430-WR-102	West Salem Water & Sewer Util.	268,481.00	55,060.00	3/23/99	24
2750-WR-102	Jefferson Water & Electric Dep	306,997.00	311,497.00	3/23/99	46

Public Service Commission

Docket Number	Utility Name	Dollars Requested	Dollars Granted	Final Order	Percent Change
0280-WR-101	Avoca Water Utility	41,463.00	29,268.00	3/19/99	54
0410-WR-101	Belgium Water Utility	103,793.00	128,382.00	3/15/99	90
3280-WR-105	Madison Water Utility	2,259,727.00	1,450,290.00	3/10/99	12
4640-UR-102	Phillips Sewer Utility	96,096.00	104,909.00	3/08/99	56
4640-UR-102	Phillips Water Utility	79,689.00	115,496.00	3/08/99	53
3320-WR-103	Manitowoc Water Utility Step 1	297,011.00	240,105.00	2/11/99	6
3320-WR-103	Manitowoc Water Utility Step 2	877,443.00	1,156,253.00	2/11/99	31
0050-WR-103	Algoma Water Utility	110,028.00	72,558.00	2/1/99	17
3040-WR-100	Land O'Lakes Sanitary District #1	22,996.00	13,554.00	1/27/99	57
3770-WR-100	Mishicot Water Utility	38,260.00	36,867.00	1/21/99	30
4480-WR-105	Oshkosh Water Utility	2,293,807.00	2,327,627.00	1/19/99	36
2820-WR-103	Kenosha Water Utility	2,033,360.00	1,993,861.00	12/23/98	28
3030-WR-101	Lancaster Water Utility	137,303.00	110,403.00	12/8/98	18
1180-WR-104	Cleveland Water	99,009.00	76,098.00	12/7/98	77
4940-WR-101	Ray Huppert Utility, Inc.		-4,717.00	10/29/98	-22
1740-WR-106	Eau Claire Water Utility	398,464.00	434,030.00	10/29/98	8
5920-WR-102	Tomah Water Utility	136,417.00	127,235.00	10/06/98	13
6790-WR-101	Woodville Water Utility	45,883.00	49,695.00	9/29/98	56
3890-WR-101	Mosinee Water & Sewer Utility	227,474.00	239,490.00	9/21/98	42
5000-WR-102	Rewey Municipal Water Utility	2,486.00	4,419.00	9/16/98	11
0070-WR-102	Allouez Water Department	250,548.00	177,233.00	9/16/98	17
5910-WR-100	Tigerton Water & Sewer	52,893.00	67,180.00	9/16/98	102
5795-WR-100	Suamico Sanitary District #1	26,090.00	18,601.00	9/04/98	39
5200-WR-100	St Croix Improvements	2,548.00	8,081.00	9/04/98	58
6020-WR-104	Union Grove Water Utility	69,037.00	56,612.00	9/02/98	17
4930-WR-102	Random Lake Water Utility	57,718.00	57,850.00	8/27/98	38
0700-WR-102	Brandon Water & Sewer	53,467.00	58,320.00	8/25/98	114
0610-WR-101	Bloomington Mun. Water Utility	15,575.00	35,219.00	8/25/98	66
5590-WR-103	South Milwaukee Water Utility	142,054.00	192,622.00	8/18/98	12
6100-WR-101	Verona Water Utility Step 1	74,900.00	159,530.00	8/13/98	40
6100-WR-101	Verona Water Utility Step 2	138,200.00	285,448.00	8/13/98	40
6280-WR-101	Waupaca Water	194,980.00	232,584.00	7/16/98	35
5100-WR-102	Rio Water Utility	41,493.00	37,821.00	7/08/98	43
0020-WR-101	Adams Water Utility	32,600.00	33,911.00	7/08/98	13
1190-WR-102	Clinton Municipal Waterworks	50,100.00	47,126.00	6/19/98	27
1920-WR-102	Fall Creek Water	18,467.00	16,636.00	6/16/98	25
6360-WR-105	West Allis Water	390,740.13	303,951.00	6/11/98	6
4610-WR-101	Peshtigo Water & Sewer Utility	114,857.00	111,255.00	6/08/98	53
2800-WR-102	Kaukauna Electric & Water Utility	387,999.00	434,332.00	6/02/98	33
4585-WR-100	Pell Lake Sanitary District #1		391,155.00	6/01/98	N/A
1120-WR-102	Chippewa Falls Dept. Pub. Util.	-123,671.00	-123,671.00	6/01/98	-7
3160-WR-101	Lodi Water & Light	96,200.00	92,849.00	5/20/98	35
4950-WR-101	Readstown Water Utility	10,997.00	7,216.00	5/11/98	19
0800-WR-101	Browntown Water	21,173.00	14,460.00	5/05/98	61
2110-WR-102	Frederic Water Utility	21,606.00	16,888.00	5/05/98	14

1997-1999 Biennial Report

Docket Number	Utility Name	Dollars Requested	Dollars Granted	Final Order	Percent Change
2650-WR-101	Hustisford Utilities	38,700.00	42,171.00	5/01/98	17
6380-WR-104	West Bend Water	222,392.00	298,369.00	4/27/98	13
1270-UR-100	Colfax Water & Sewer	105,365.00	103,433.00	4/14/98	125
1270-UR-100	Colfax Water & Sewer	19,747.00	21,676.00	4/14/98	23
2010-WR-103	Fond Du Lac Water Utility	194,544.00	195,448.00	4/01/98	6
4460-WR-102	Osceola Water	50,591.00	41,360.00	3/24/98	21
0890-WR-101	Cadott Water & Light	55,123.00	54,438.00	3/24/98	37
0585-WR-101	Bloomer Water	146,543.00	145,237.00	3/18/98	51
1120-WR-101	Chippewa Falls	600,300.00	573,401.00	3/18/98	44
1080-WR-100	Chetek Water	96,816.00	97,214.00	3/12/98	91
1210-WR-101	Clyman Utility Commission	47,200.00	42,145.00	3/11/98	35
1710-WR-104	Eagle River	63,141.00	63,141.00	3/11/98	23.6
1310-WR-102	Combined Locks	98,452.00	51,989.00	2/26/98	22
6819-WR-101	Yorkville Water Utility	27,360.00	33,116.00	2/24/98	37
2540-WR-101	Hilbert	42,033.24	38,955.00	2/16/98	56
0460-WR-102	Benton Water Utility	152,460.00	87,262.00	2/05/98	30
5470-WR-103	Shullsburg	47,100.00	30,275.00	2/05/98	18
0780-WR-102	Brown Deer Water Utility	141,902.00	186,265.00	1/28/98	20
4550-WR-103	Park Falls Water Utility	191,953.00	193,416.00	1/20/98	38
5240-WR-100	St. Joseph's Sanitary District #1	33,210.00	47,433.00	1/16/98	166
0040-WR-100	Albany	50,060.00	49,797.00	12/22/97	50
1505-WR-100	Curtiss Water Utility	16,245.00	8,802.00	12/22/97	22
4480-WR-104	Oshkosh Water	N/A	1,206,033.00	12/19/97	24
0520-WR-102	Black Creek Water	35,210.00	43,122.00	12/09/97	50
2105-WR-103	Franklin Water Utility	362,469.00	359,779.00	12/09/97	17
2450-WR-100	Hancock Water	28,962.00	21,924.00	11/26/97	155
6600-WR-102	Wiota San. Dist. #1 Water Utility	31,876.00	14,530.00	11/13/97	34
6800-WR-101	Wrightstown	30,202.00	26,531.00	11/07/97	24
1870-WR-100	Ettrick Water & Sewer	140,904.00	150,175.00	11/04/97	565
0400-WR-102	Beaver Dam Water	987,331.00	983,304.00	11/04/97	83
4490-WR-102	Osseo Water & Sewer	67,273.00	133,235.00	10/29/97	56
4250-WR-104	North Park Sanitary District	203,750.00	209,078.00	10/29/97	27
3550-WR-102	Menasha Sanitary District #4	436,502.00	299,372.00	10/27/97	19
1735-WR-102	East Troy Sanitary District #3	-1,694.36	5,349.00	10/22/97	69
0835-WR-100	Burke Utility District No. 1		44,691.00	9/23/97	N/A
2573-WR-100	Hobart Sanitary District #2		37,806.00	9/12/97	N/A
6120-WR-104	Ville Du Parc Step 1	38,514.00	57,720.00	9/05/97	47
6120-WR-104	Ville Du Parc Step 2	219,901.00	110,622.00	9/05/97	47
4140-WR-101	New Richmond Water & Sewer	303,244.00	271,156.00	9/04/97	81
4700-SR-100	Platteville Water & Sewer	219,095.00	145,436.00	8/20/97	16
2870-WR-101	Kimberly Water	126,551.00	133,509.00	8/20/97	24
2160-WR-101	Galesville Water & Sewer	40,747.00	40,780.00	8/20/97	24
0550-WR-101	Black River Falls Water	156,614.00	170,628.00	8/14/97	47
2550-WR-103	Hillsboro Water		32,872.00	8/14/97	21
4325-WR-100	Oakdale Water		93,697.00	8/04/97	N/A

Public Service Commission

Docket Number	Utility Name	Dollars Requested	Dollars Granted	Final Order	Percent Change
3380-WR-101	Marion Water Utility	74,076.00	85,095.00	7/23/97	60
4230-WR-104	North Fond du Lac Water Utility	73,200.00	67,511.00	7/23/97	18
2660-WR-101	Independence Water Utility Step 1	69,587.00	50,293.00	7/18/97	51
2660-WR-101	Independence Water Utility Step 2		132,728.00	7/18/97	51
1200-WR-102	Clintonville Water & Elec. Step 1	54,000.00	77,330.00	7/15/97	22
1200-WR-102	Clintonville Water & Elect. Step 2		136,368.00	7/15/97	22

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TELECOMMUNICATIONS DIVISION

Quality of Service and Reliability

Settlement Reached on Complaint against Ameritech's Service Quality. A settlement was reached in April 1998 on the case brought against Ameritech by Wisconsin's Attorney General's office regarding the telephone company's deteriorated quality of service to 43,400 customers in 1995. Ameritech paid \$615,000 to the state, which will be directed to state schools and libraries. The company did not have to admit to any violation of law in the settlement.

In 1995, the volume of service quality complaints against Ameritech by customers grew precipitously. During just one two-week period in August, the PSC received more service quality complaints against Ameritech than it did over several previous years combined. The complaints involved the amount of time the utility took to answer calls to its service repair centers and the amount of time it took to respond to service outages.

The Commission had initiated its own civil court action against Ameritech in early 1996 using the new prosecutorial powers it believed the Legislature created for it when it enacted Wisconsin Act 496. However, Dane County District Court Judge Angela Bartell dismissed the PSC's suit because she believed that Act 496 did not grant the PSC the authority to pursue civil court action on its own. The Commission referred the quality of service complaint against Ameritech to the Attorney General's office for prosecution in August of 1996. The Attorney General pursued action leading to the settlement noted above.

PSC Approves Service Quality Standards for Ameritech and GTE. The PSC approved higher service quality standards for the state's two largest local

exchange companies, Ameritech and GTE. Ameritech and GTE elected to be subject to "price regulation," under state law enacted in 1994. Customer complaints for both companies in 1997 and 1998 were well above the levels in 1994 prior to the start of price regulation.

In the areas of installation time, repair time, telephone answering time at the repair office, and number of initial and repeat trouble reports, the Commission determined that Ameritech and GTE must meet stricter specific performance standards or face rate penalties. If these standards are not met, the prices paid by customers in the future could be affected because future rates could either be decreased or not increased as much as otherwise would have been allowed under the previous standards.

WIN to Provide Toll Service in Northeastern Wisconsin. The Wisconsin Independent Network, LLC (WIN) was certified as a telecommunications carrier by the Commission in December 1997. WIN is a Wisconsin corporation equally owned by seven shareholders. In each case, the owning shareholder entity is an affiliate of an existing local exchange carrier. WIN will offer intrastate telecommunications services to the general public through its owned and operated transmission facilities, through leased facilities from other telecommunications providers, and through the resale of telecommunications services of other telecommunications providers. Services to be provided include transport of telecommunications service and intraLATA and interLATA toll telecommunications services in all of Wisconsin. However, WIN's main objective is to provide a redundant toll route in northwest Wisconsin.

WIN intends to connect facilities to provide a back-up toll route in the northwest part of Wisconsin so that customers are not

isolated during a service outage. Over the past several years, several outages have occurred in WIN's proposed operating territory that have adversely affected the long distance and 911 service to customers in the northwestern quadrant of Wisconsin. If the toll network proposed by WIN had been operational, the traffic of these customers could have been rerouted over an alternate route providing both residential and business customers with uninterrupted service. Over the network approved by the Commission, WIN will only transport interLATA and intraLATA toll and will resell excess toll capacity so the customers of other telecommunication providers can also benefit from the deployment of an additional toll route.

Report On Network Reliability: Physical Route Diversity In Wisconsin. In May 1999, the Commission issued its report entitled Network Reliability: Physical Route Diversity in Wisconsin. This report was prepared in response to a request from State Senator Robert Jauch to "assess the adequacy of back-up systems in all rural areas." This report concluded that "the extent of physical route diversity for the network systems serving 911 systems, SS7 networks, and the local and tandem switching hierarchy is adequate considering economics, competition, system maintenance, and the speed of outage repairs."

Infrastructure Report to the Legislature. In December 1997, the Commission completed its second in a series of biennial reports to the Legislature on the status of investment in advanced telecommunications infrastructure in Wisconsin. The report is required by Wisconsin Act 496 and is intended to evaluate the legislation's effectiveness in promoting investment in advanced telecommunications in Wisconsin. The report documents the current status of investment in areas such as distance learning

networks, the interconnection of libraries, access to health care, opportunities for persons with disabilities, and the use of telecommunications to improve the delivery of government services. The report also documents the amount of investment in transmission and switching technologies by telecommunications providers as well as the availability of advance services such as Integrated Services Digital Network (ISDN), Caller ID, 911, and access to the Internet and video services. The Commission's next infrastructure report to the Legislature is due in January 2000.

Price Regulation

Five-Year Review. Five years after a telecommunications utility elects to become price-regulated, the Commission is required to hold a hearing to determine whether it is in the public interest to suspend one or more of the provisions of Wis. Stat. § 196.196(1) as it applies to a price-regulated telecommunications utility, or to approve an alternative regulatory method for that utility.

The Commission initiated an investigation in docket 05-TI-174 for purposes of performing the five-year review of price regulation. The Commission's review included Ameritech Wisconsin and GTE North. These two telecommunications utilities are the only utilities electing price regulation under Wis. Stat. § 196.196(1).

The review of price regulation involved two basic questions. First, has price regulation worked in Wisconsin? Second, should any aspect of price regulation be changed? The Commission found that although competition was developing more slowly than was expected when 1993 Wisconsin Act 496 was passed; in many ways price regulation was working in the manner in which it was intended. There were some positive impacts for consumers as a result of price regulation, but there were also some areas that needed improvement.

The Commission found that the current price regulation system should be retained with modifications to the rules in Wis. Admin. Code ch. PSC 163. The major changes to the rules involved the following: (1) increased weighting of service quality; (2) continued infrastructure incentives and penalties, but on an optional basis based on a filing of proposed retail-related and wholesale-related infrastructure objectives; and (3) addition of two new service quality components, trunk blockage, and answer speed for business office calls.

In addition to the changes to Wis. Admin. Code ch. PSC 163, Commission staff was directed to submit a recommendation to the Commission on a proposed forum for monitoring the level of competition and for developing a record on carrier-to-carrier issues affecting competition.

Experience With Price Regulation.

In addition to the review of price regulation, proceedings were completed each year to determine the amount that Ameritech Wisconsin and GTE North may increase, or must decrease, their price-regulated rates. Services currently subject to price regulation are basic local exchange service, standard business access lines, and usage by small business with no more than three access lines.

In October 1998, the Commission ordered Ameritech Wisconsin to decrease its rates for price-regulated services by an average of 1.02 percent or approximately \$2.5 million. To achieve this change, Ameritech Wisconsin decreased its residential rate per call for the first 60 calls in a month from 6 cents to 5 cents and increased its flat rate for residential service by 35 cents.

In June 1998, the Commission authorized GTE North to increase its rates for price-regulated services by an average of 0.09 percent. (GTE made no changes in

rates at that time.) At that same time, GTE North was required to decrease its rates for price-regulated services by 0.31 percent. The authorized 1998 increase that GTE North did not implement was netted against the 1999 decrease for a net decrease in rates for price-regulated services of 0.22 percent or approximately \$200,000. To accomplish this change, GTE raised its monthly residential local service rates by amounts ranging from 15 cents to 55 cents, and decreased its per minute rate for extended community calling from 5 cents to 4 cents.

In docket 05-TI-157, the Commission established industry-wide standards for service quality to be used in calculating the increase to the productivity offset for 1998 and 1999 price-regulation filings for each price-regulated telecommunications utility. Standards approved to be applied starting on anniversary dates in the year 2000 reflect stricter specific performance standards in the areas of average time it takes to install service, initial trouble reports per 100 access lines, restoration time for out of service calls, and percentage of repeat trouble reports. If these standards are not met, the prices paid by customers in the future could be affected because future rates could either be decreased or not increased as much as otherwise would have been allowed under the previous standards.

Alternative Regulation Plans

In Act 496, the Legislature enacted a new regulatory model to manage the transition to a competitive telecommunications marketplace. Act 496 allows telecommunications utilities to file a regulatory method alternative to traditional rate-of-return regulation. In determining whether a plan is in the public interest, Act 496 requires the plan to contain the following components:

1. The goals of the plan.

2. The incentives authorized and how the incentives help achieve the goals.
3. Measurements to evaluate attainment of goals.
4. The extent of contributions to the Wisconsin Advanced Telecommunications Foundation (WATF).

During this biennial period, three new alternative regulatory plans were approved by the Commission. The three new plans were for the following companies:

Mount Horeb Telephone Company
Frontier Communications of Viroqua, Inc.
Frontier Communications of Wisconsin, Inc.

This makes a total of six alternative regulatory plans in place in Wisconsin as plans were previously approved for Mid-Plains Telephone, Inc.; CenturyTel of the Midwest-Wisconsin; and Frontier Communications of St. Croix, Inc.

An alternative regulatory plan for CenturyTel of Wisconsin, Inc., and a revised plan for CenturyTel of the Midwest-Wisconsin, Inc., are currently under review by the Commission.

Typically, alternative regulation plans include provisions related to infrastructure commitments, service quality, access charge adjustments, and rate changes.

Numbering

Geographic Splits for the 414 Area Code. During the biennium, the 414 area code has seen two investigations in an attempt to provide area code relief. The relief became necessary because the 414 area code territory was running out of available telephone number combinations. In 1997, the 414 area was split in two; the northern portion of that area was assigned area code 920. Further demands on numbers

due to growth in lines and competition made it necessary to re-examine the 414 area again in 1998. In March 1999, the Commission ordered another split of the 414 area code. In this case, the 414 code will continue to be used in Milwaukee County and the remaining portion will be assigned area code 262 starting in the fall of 1999.

The Commission is investigating number conservation efforts with the industry and through the Federal Communications Commission in an attempt to forestall the need to create new area codes in the near future.

Universal Service

TEACH WI Rules Established. The Commission established rules in Wis. Admin. Code ch. 160 to address the Educational Telecommunications Access Program of TEACH WI as mandated by the legislature. The rules provide school districts, private schools, technical college districts, private colleges, and public boards with access to data lines and video links at low monthly prices. The rules specify eligibility requirements and technical specifications. This program is funded through the PSC Universal Service Fund by assessments on the telecommunications providers in this state. The TEACH rules were first adopted as emergency rules and became permanent by Commission action in October 1998.

Recipients of Homestead Tax Credit Added to Eligibility for Wisconsin Universal Service Fund Programs. In a move to better target assistance to the low-income telephone customers of Wisconsin, recipients of the Homestead Tax Credits are now eligible for the Lifeline and Link-Up Programs under the Universal Service Fund rules. Homestead was included in the initial USF rules but did not become effective until early 1998.

The Lifeline program reduces monthly charges with matching federal and state funds. Link-Up reduces local telephone connection charges by 100 percent.

The Lifeline program in Wisconsin provides "essential telecommunications service," which according to PSC rules, mean that Lifeline service must have the same features as every basic telephone line in Wisconsin. Essential service is single-party, voice-grade service with the following features: facsimile and data capability, touch tone operability, ability to ring your own line, an adequate local calling area, a directory listing, optional call blocking services, and interception of misdialed or non-operating numbers. The service must have access to the following: emergency services (911 where available), alternative toll carriers, operator service, directory assistance, and telecommunications relay services.

Households that participate in one of the following programs are eligible for Lifeline service: W-2, medical assistance, supplemental security income (SSI), food stamps, low income household energy assistance program (LIHEAP), and now the Wisconsin homestead tax credit. Customers who think they are eligible can call the residential customer service number printed on their telephone bill or in the front of their telephone directory to make their request for Lifeline service.

The telephone company verifies low income eligibility for a customer in two ways: (1) a service representative, with the customer's consent, can check the database of Wisconsin's Department of Workforce Development (DWD) to verify participation in one of the programs; or (2) if that does not prove eligibility and the customer claims a Wisconsin Homestead Tax Credit, the service representative will mail the customer a form which gives the Wisconsin Department of Revenue (DOR) permission to inform the telephone company of the

results of its check. Once the customer returns the required form and the telephone company has verified their status at DWD or DOR, the customer will be eligible for the Universal Service Fund programs. The eligibility of the customer is reconfirmed at least once a year.

Telecommunications Equipment Available for Hearing Impaired. Under the Telecommunications Equipment Purchase Program (TEPP), people with disabilities may be eligible for assistance in buying equipment they need in order to use basic telephone services. The TEPP is one of several different programs paid for by the Wisconsin Universal Service Fund (USF) established by the Public Service Commission of Wisconsin. Money collected from Wisconsin telephone service providers goes into the USF. To be eligible, an applicant must be a Wisconsin resident, be a person who is deaf, hard of hearing, speech impaired, or mobility or motion impaired, and needs special equipment to use the telephone in the home or when traveling (e.g., a TTY, volume control, visual alert system, etc.).

Telecommunications Consumer Education and Protection

Telecommunications is the number one area of consumer complaints in Wisconsin. "Slamming" and "cramming" are the most increasing types of telephone fraud reported to the Public Service Commission. Complaints regarding "slamming," when a long distance telephone company is switched without the customer's permission, increased from 242 in 1997 to 331 in 1998; there were 279 slamming complaints in the first half of 1999. Complaints regarding "cramming," when unauthorized charges are added to a customer's telephone bill, went from 76 in 1997 to 252 in 1998; there were 199 cramming complaints in the first half of 1999.

In an increasingly deregulated environment, the Commission's role in telecommunications has shifted towards more consumer education and protection. Among activities undertaken on these fronts during the 1997-1999 biennium were the following:

PSC Adopts Plan For Telecommunications Consumer Education. On July 28, 1997, the Commission created the Telecommunications Consumer Education Industry Forum. The Forum was chaired by then-Commissioner Daniel Eastman and was comprised of representatives from different segments of the telecommunications industry, public advocacy groups, and other state agencies. The Forum issued a report on April 27, 1998, which contained recommendations to develop a consumer education program to promote public awareness of recent changes in the telecommunications marketplace. Some of the Forum's recommendations have already been implemented and others are in progress.

Tele-Watch Brochures Unveiled. The Department of Agriculture, Trade, and Consumer Protection (DATCP), the Department of Justice (DOJ), and the Public Service Commission of Wisconsin (PSC) have cooperated to produce a series of six brochures, which contain tips to help telephone customers understand changes in telecommunications and some new telephone service options. The brochures proved to be popular, with over 10,000 copies distributed. They are available in English and Spanish. The six brochures are entitled:

- "Plain Talk About Your Telephone Service"
- "The Road Is Calling"
- "Respecting Your Privacy"
- "It's Your Call"
- "Don't Get Slammed"
- "Your Rights"

Videoconference for Telecommunications Consumers a Success. In June 1998, the PSC hosted a videoconference entitled "Competition, Cons, Choices, and Confusion: Advice on Current Issues Facing Telecommunications Consumers." Specifically, this program addressed topics such as "slamming" and "cramming," what actions are being taken to curb such deceptive practices, how to avoid falling victim to them as a consumer, and the current state of competition in the telecommunications market. The event was held at the offices of the PSC in Madison, where presentations were made by Commission staff, DATCP, and DOJ. The event was linked by video to four other sites across the state - Eau Claire, Rhinelander, Milwaukee, and Green Bay. The audience included a number of representatives from telephone companies, as well as from community-based organizations and the Legislature.

PSC Takes Action on "Slammer". On August 18, 1998, the Commission revoked the reseller certification of Minimum Rate Pricing, Inc., based on concerns referred to the Commission. The company had more "slamming" complaints than any other provider of telecommunications services in the first quarter of 1997. Of the 90 customer complaints recorded against the company in 1998, 59 percent involved "slamming." In 1997, the PSC recorded 107 complaints against the company of which 71 percent were related to "slamming." The state Department of Justice filed a lawsuit against Minimum Rate Pricing, Inc., for using misleading solicitation tactics and fraudulent billing of telecommunications services.

Competition

The Commission continues to foster competition in local and toll service under

both state and federal law through a number of activities. During the biennial period, the Commission certified scores of resellers and over 40 competitive local exchange providers. Likewise, the Commission resolved numerous disputes between competing providers. This includes mediating and arbitrating interconnection disputes, as well as approving voluntary interconnection agreements.

Rates

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 was not involved in the review and approval of rate changes in the past biennium. In addition to the rate changes for price regulated and alternative regulated companies, several small telecommunications utilities made changes to their rates under the petition process permitted by Wisconsin Statutes. This process allows companies to notify their customers of rate increases (limited to 30 percent in a year) and if customers do not petition the Commission for review, the rates are not reviewed by the Commission.

The following lists those companies that changed rates under the small telecom-

munications utility process in the past biennium:

Companies with rate increases effective between July 1, 1997, and June 30, 1999:

Baldwin Telephone Company
Bergen Telephone Company
Black Earth Telephone Company
Bonduel Telephone Company
Burlington, Brighton and Wheatland Tel.
Dickeyville Telephone Company
Farmers Telephone Company
Hillsboro Telephone Company
Price County Telephone Company
Scandinavia Telephone Company
Sharon Telephone Company
Siren Telephone Company
Southeast Telephone Company
Spring Valley Telephone Company
State Long Distance Telephone Company
Stockbridge and Sherwood Telephone
Tenney Telephone Company
UTELCO

The following notified their customers of pending rate increases in the biennium, although the increases were not effective until after June 30, 1999:

Badger Telephone Company
EastCoast Telephone Company
Mt. Vernon Telephone Company
Northeast Telephone Company
Scandinavia Telephone Company
Waunakee Telephone Company

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OFFICE OF INFORMATION TECHNOLOGY

PSC Surveys State's Utilities Regarding Year 2000 Issues

The PSC has conducted a survey of the major electric, natural gas, telecommunications, and water utilities in Wisconsin to ascertain the utilities' readiness for the year 2000 (Y2K). In addition, the PSC requested various utility associations to poll their members, including the Municipal Electric Utilities of Wisconsin, Wisconsin State Telephone Association, Wisconsin Rural Water Association, and Dairyland Power Cooperative on behalf of the rural electric cooperatives. The results of the survey suggest that Wisconsin's utilities are well aware of Y2K concerns and appear to be taking the necessary steps to insure continued reliable utility services. In particular, it appears that all of the major electric, natural gas, and telecommunications utilities have written plans to address Y2K concerns and are diligently working to correct any potential difficulties, test equipment, and develop contingency plans in the event of unforeseen circumstances. The smaller municipal utilities and electric cooperatives report a high level of awareness and appear to be working on Y2K concerns as well.

PSC Web Page Links to Utilities' Electronic Tariffs

Three utilities have agreed to provide their tariffed rates on their web pages, which will soon be accessible via a link from the PSC's web page. Wisconsin Gas Company, Wisconsin Public Service Corporation, and Wisconsin Fuel and Light Company are the first state utilities to make rate information easily accessible to consumers via the Internet. As other utilities work toward

electronic availability of their rates, more links will be added to the PSC's web page.

Agency Automation of Information Technology

In the 1997-1999 biennium, the PSC took great strides to introduce new technology for automating many of the agency's existing processes. Several new client-server applications were developed and implemented using PowerBuilder development tools. These applications include:

1. Annual report software to allow utilities to file their annual reports in electronic format.
2. A new Customer Contact System to allow more efficient tracking of customer complaints and inquiries.
3. A Case Management System for more efficiently tracking the progress of the cases processed by the agency.
4. A Utility and Reseller Database and Mailing List system for managing the mailing of information to various organizations.
5. A new Billing System for the agency to more easily collect the necessary fees from the appropriate organizations.
6. Near the end of the biennium, work was being completed on a new Time and Leave Reporting System to automate the process of completing weekly timesheets for all employees.

All of these systems replace systems that had previously been used on mainframe computers. The older systems all had potential Year 2000 problems and converting them to PC/LAN-based systems

eliminated these potential Y2K problems and provided additional functionality for PSC staff.

Information Technology Standards

In this biennium, the PSC continued to make major strides toward meeting the state's new Information Technology (IT) infrastructure standards. By the end of the biennium, planning was being conducted for the agency's major network upgrade to Ethernet from the current Token Ring network. When this project is complete (expected in November 1999), the PSC will be in full compliance with the statewide IT infrastructure standards. The agency continued to replace desktop and laptop PCs with newer equipment using Windows NT Workstation 4.0. All business applications were migrated to the Microsoft Office 97 and final planning was being performed for the migration to Microsoft Office 2000, planned for August 1999. In addition to these upgrades, the PSC introduced many new technological capabilities for the agency in this biennium. Among these new services are:

1. Improved remote access to the network.
2. Desktop PC faxing capability integrated with e-mail.
3. Synchronization between the agency's e-mail system and the statewide Exchange hub.
4. Elimination of all 486 PCs and servers.
5. Outdated anti-virus software replaced.
6. Implemented automatic update procedures.

7. Upgraded remaining Windows 95 machines to Windows 98.

8. Installed new color printing capabilities.

By moving quickly to implement many of these new technologies, the PSC has provided its staff with better tools to carry out their responsibilities in a more productive manner.

Internet

The agency implemented a number of new initiatives involving the Internet, the first of which was establishing high-speed access to the Internet for all of its employees. The agency also moved its Web site to an internal server and significantly expanded the available information on the site. Moving to an internal server allowed the IT staff to make better use of various Web development tools, thus allowing a number of new services for customers, including posting of all major Commission notices and orders, a section devoted to information on utilities' progress at becoming Y2K-compliant, information and reports on consumer complaint trends, a report showing applications, petitions and other requests for action that the agency has received within the last 21 days, and a number of industry-specific reports. The internal server also allowed the agency to provide its staff access to e-mail and calendaring functions over the Web. As the biennium ended, planning was beginning to provide Web access to a number of agency databases, particularly the annual report information and the case management information.

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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 23 percent of our employees work a standard 7:45 a.m. to 4:30 p.m. Monday through Friday schedule. Seven 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.

One of the Council's major activities during the biennium was to assist 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 1998, the

Commission employed three interns: a programmer and a consumer analyst in the Division of Water, Compliance, and Consumer Affairs; and a programmer in the Electric and Telecommunications Divisions. In 1999, two interns were hired. One worked as a programmer in the Telecommunications Division and the other worked as a communications specialist in the same unit.

In conjunction with the national "Take Our Daughters to Work Day" program, the Council also sponsored a "Careers Day" in 1998 and 1999. A total of 43 children attended the two events including guests from Centro Hispano and the Wilmar Neighborhood Center. Finally, the Council sponsored several training workshops during the biennium as well.

Wisconsin Works Program

The Commission has been an active participant in the Wisconsin Works (W-2) program. In 1997, W-2 was implemented to replace the Aid to Families with Dependent Children (AFDC) program.

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 seven W-2 interns to date.

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LIST OF ACRONYMS

- Act 204 - 1997 Wisconsin Act 204
- AFDC - Aid to Families With Dependent Children
- AWP - Alternative Work Patterns
- CA - Construction Authority
- CBCWC - Central Brown County Water Commission
- CPCN - Certificate of Public Convenience and Necessity
- DATCP - Department of Agriculture, Trade and Consumer Protection
- DOA - Department of Administration
- DOJ - Department of Justice
- DOR - Department of Revenue
- DPC - Dairyland Power Cooperative
- DWCCA - Division of Water, Compliance, and Consumer Affairs
- DWD - Department of Workforce Development
- EAS - Extended Area Service
- FEIS - Final Environmental Impact Statement
- FERC - Federal Energy Regulatory Commission
- ISDN - Integrated Services Digital Network
- MGE - Madison Gas and Electric Company
- MWW - Milwaukee Water Works
- NERC - National Electric Reliability Council
- NOI - Notice of Inquiry
- NOPR - Notice of Proposed Rulemaking
- NSP - Northern States Power
- PARM - Productivity-Based Alternative Ratemaking Mechanism
- PSC - Public Service Commission of Wisconsin
- REPS - Rural Electric Power Services
- SEA - Strategic Energy Assessment
- SEI - SEI Wisconsin, LLC
- SEIS - Supplemental Environmental Impact Statement
- TEPP - Telecommunications Equipment Purchase Program
- TTY - Tele-Typewriter
- USF - Universal Service Fund
- WATF - Wisconsin Advanced Telecommunications Foundation
- WE-GO - Wisconsin Electric Power Company-Gas Operations
- WEPCO - Wisconsin Electric Power Company
- WFL - Wisconsin Fuel and Light Company
- WGC - Wisconsin Gas Company
- WIN - Wisconsin Independent Network
- WPS - Wisconsin Public Service Corporation

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