

# Public Service Commission of Wisconsin



{ Biennial Report }  
{ 2011-2013 }

Scott Walker, Governor  
Phil Montgomery, Chairperson



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## PERFORMANCE & OPERATION FOR 2011-2013 BIENNIUM

The Public Service Commission of Wisconsin's 2011-2013 biennium included significant regulatory and policy decisions that will help continue the Commission's mission to ensure that reliable, safe, sufficient and reasonably-priced service is provided to all of Wisconsin's utility customers. Some highlights from the 2011-2013 biennium include:

- The Commission authorized innovative tariffs designed to stimulate the economy and reduce energy costs for all, and approved several key construction projects that created jobs in the state.
- The Commission approved significant transmission projects to update our energy infrastructure and enhance the grid and access to reliable sources of energy. The Commission continued its leadership role in working with other states to ensure coordination in regional transmission planning and development.
- The Commission continued its efforts to reduce waste and eliminate fraud and abuse. The Commission stopped two uncertified telecommunications carriers from depriving Wisconsin telecommunications companies of substantive revenues. Internally, the Commission also made reforms to reduce waste and streamline processes by promoting passage of 2011 Wisconsin Act 155 which streamlined and simplified certain administrative processes, and enacted ethics reform at the Commission. The Commission also made significant strides in going paperless, with all meeting materials now distributed to the Commissioners in electronic form only.
- The Commission promoted competition in a modernized telecommunications industry by removing many regulations rendered obsolete by 2011 Wisconsin Act 22, further simplifying and removing the costs of state compliance procedures. The Commission also coordinated efforts to enhance broadband capabilities throughout the state.
- The Commission decided several complex, contested water rate cases and successfully defended in circuit court its decision in one such case, the Oak Creek Water and Sewer Utility case.
- The Commission implemented a program to reduce the amount of water lost through leaky pipes and faulty meters which resulted in a 7.6 percent reduction in the amount of water lost from 2011 to 2012 and below the estimated national average for water loss.
- The Commission experienced a decline in the number of consumer complaints filed about utility practices by over 50 percent this biennium.



# PERFORMANCE & OPERATION FOR 2011-2013 BIENNIUM

## Gas & Energy

### *Major Policy Initiatives for 2011-2013 Included:*

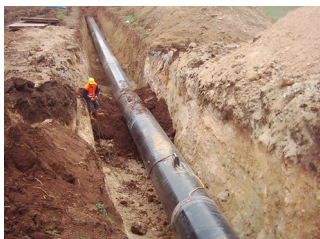
**Innovative Rates and Tariffs:** Recognizing the challenges facing Wisconsin's economy, the Commission approved several innovative rate designs this biennium to retain and grow existing industrial customers and attract new business to the state. The Commission successfully defended a court challenge to an economic development rate it approved which permits a utility to provide discounted rates to qualifying companies to help retain and create jobs. The Commission also approved a voluntary real time pricing tariff for a utility's large customers which permits these customers to pay for electricity use at market prices rather than the existing tariff rate. One utility reports that this tariff has resulted in the addition of close to 1,000 jobs, an additional 200,000 megawatt-hours (MW) of usage and 26.5 MW of new load to its service territory. The new tariff also increased electric usage by participants by roughly 23 percent and demand by 22 percent, at a time when the utility's overall sales growth for large commercial and industrial customers was projected to be below 1 percent.

**Updating Wisconsin's Generation Fleet for the Future:** With future environmental regulations looming, the Commission approved several important construction projects that will result in the installation of environmental controls on several generating facilities in the state to ensure that these resources will be able to comply with future emission limitations. The Commission approved construction projects for environmental upgrades this biennium totaling approximately \$313 million. These projects will not only reduce sulfur dioxide, nitrogen oxide, and particulate matter emissions, the work is estimated to create hundreds of jobs for Wisconsin.

**Enhanced Regional Transmission Coordination:** The Commission has increased its involvement in regional transmission issues, including participation in forums relating to energy markets between transmission organizations. In addition, the Commission successfully prompted the Federal Energy Regulatory Commission (FERC) to investigate activities that may be unfairly shifting wholesale electric energy costs to Wisconsin. The Commission also helped secure a change in FERC policy to control wholesale cost of new high-voltage transmission lines, and coordinated and actively supported the Organization of MISO states to project state authority and jurisdiction over large transmission line projects.

**Wind Siting Rules:** The Commission successfully defended in circuit court a challenge to the Wind Siting Rules, Wis. Admin. Code ch. PSC 128, that went in effect on March 16, 2012, after the Legislature allowed the rule to take effect.

**Energy Efficiency:** A legislative Audit Bureau audit was completed in December 2011 and found that at the current funding level, benefits of Wisconsin's Focus on Energy Program are more than twice its costs.

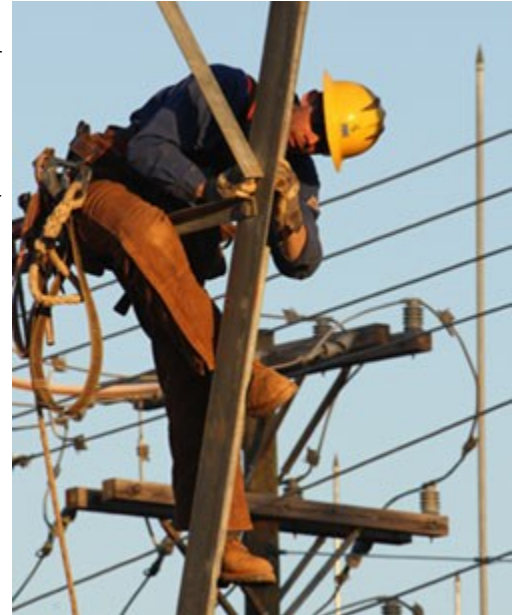


# PERFORMANCE & OPERATION FOR 2011-2013 BIENNIUM

## Gas & Energy Cont.

### *Major Commission Electric Construction Decisions for 2011-2013 Included:*

**Regional and Local Transmission Infrastructure Projects.** On May 7, 2012, the Commission approved the construction of a 345 kilovolt electric transmission line connecting the Pleasant Prairie switchyard located in the village of Pleasant Prairie, Wisconsin to the existing Zion Energy Center in Zion, Illinois. This approximately \$30 million project provides benefits to customers by relieving congestion in the project area and by allowing for the most economic dispatch of generation while also improving reliability in southeastern Wisconsin. On May 30, 2012, the Commission authorized, and successfully defended its decision in court, the construction of CapX2020 transmission line at an estimated cost of approximately \$211 million. This 48-mile, 345 kilovolt transmission line from Alma to Holmen meets local needs for reliable electric service, and provides regional benefits on a multi-state level. On March 20, 2013, the Commission approved the Western Milwaukee County reliability project permitting the construction of a new substation and two closely-related 138 kilovolt electric transmission lines in the cities of Wauwatosa and Milwaukee in western Milwaukee County. This approximately \$10 million project was needed for reliability and to provide additional capacity for load growth at the Milwaukee Regional Medical Center and the Milwaukee County grounds in western Milwaukee county.



**Weston 3 Multi-Pollutant Control Technology System.** On April 12, 2013 the Commission approved the request of Wisconsin Public Service Corporation (WPSC) to construct, install and place in operation a new multi-pollutant control technology known as ReACT, as part of WPSC's Weston Generating Station Unit 3. These new facilities were required so that WPSC could meet the requirements of a Consent Decree agreed to between WPSC and the U.S. Environmental Protection Agency that resulted from alleged violations by WPSC of the Clean Air Act. The project was also needed so that the utility could comply with future air pollution regulations and help maintain a balanced generation portfolio.

**Edgewater Generating Station on Unit 5.** On June 4, 2013, the Commission authorized Wisconsin Power and Light Company (WP&L) to construct a dry flue gas desulfurization and fabric filter collection system on Unit 5 of its existing Edgewater Generating Station. This approximately \$413 million project was needed to control sulfur dioxide (SO<sub>2</sub>) air emissions and was required pursuant to the terms of a final settlement agreement that WP&L, the U.S. Environmental Protection Agency, and the Sierra Club reached regarding alleged Clean Air Act violations.

# PERFORMANCE & OPERATION FOR 2011-2013 BIENNIUM

## Water, Compliance and Consumer Affairs

### *Major Policy Initiatives and Construction Decisions for 2011-2013 Included:*

**Consumer Affairs and Customer Service:** The Commission's Consumer Affairs work unit experienced a decline in the number of complaints filed about utilities due to several factors, including an overhaul of the Commission's consumer phone system, renewed efforts to provide utility training, and complaint-tracking process improvements. As a result, the number of callers who needed to speak to a Commission staff person declined by 12 percent. Of these contacts, consumers subsequently filed 2,333 formal complaints in 2012, a decline of 51 percent from 2011. In 2013, the downward trend continues, with 8 percent fewer consumer contacts than in 2012.

**Water Rate Cases:** During this biennium, utilities filed applications for 138 water and sewer rate cases. These cases were all filed electronically and processed using the Commission's automated municipal water and sewer rate case processing procedures. The Commission's goal is to complete work on non-contested rate cases within 180 days from the date of filing. During the biennium, the average time to process a water rate case was 157 days. Rate cases for larger water systems are becoming increasingly complex and controversial. During the biennium, the Commission adjudicated the rates for a number of contested water rate cases, including cases for the Oak Creek Water and Sewer Utility, the Kenosha Water Utility, and the Waukesha Water Utility. The Commission successfully defended its decision in the Oak Creek case in court.

**Simplified Rate Cases:** A statutory provision adopted in 1995 allows for inflationary rate increases without a hearing for qualifying municipal water and sewer utilities. This provision allows municipal utilities to adjust rates to reflect increasing costs without the burden of filing the financial information necessary for full rate case. In the 2011-2013 biennium, municipal utilities filed 164 Simplified Rate Case applications. The average time to process a Simplified Rate Case was 34 days.

**Water Utility Construction Cases:** The Commission approved 59 water-related construction projects totaling approximately \$127.9 million. Typical projects include advanced metering systems, booster stations, elevated tanks, wells, and water treatment facilities. On average, the approvals for these projects were completed within 30 days after the Notice of Investigation was issued. During the biennium, the Commission revised the rules for water and sewer utility construction in Wis. Admin. Code ch. PSC 184, to streamline the construction approval process and to identify specific routine projects that could be exempted from Commission approval.

**Sanitary Sewer and Storm Water Complaints:** Although the Commission does not have original jurisdiction for setting the rates for most wastewater and stormwater utilities, the Commission is responsible for adjudicating complaints from customers about unreasonable rates, rules, or practices. In the 2011-13 biennium, the Division resolved 12 informal complaints and processed 4 formal complaints that required a hearing and Commission decision-making. This is an increase from prior years.

**Water Conservation and Efficiency:** The Commission, in cooperation with the Department of Natural Resources, completed a "Water Efficiency Potential Study for Wisconsin" identifying conservation and efficiency measures that have the highest potential in terms of water savings and cost effectiveness for the state's water utilities.

# PERFORMANCE & OPERATION FOR 2011-2013 BIENNIUM

## Division of Business & Communications Services\*

\*formerly Division of Administrative Service and Telecommunications Division

### *Major Policy Initiatives for 2011-2013 Included:*

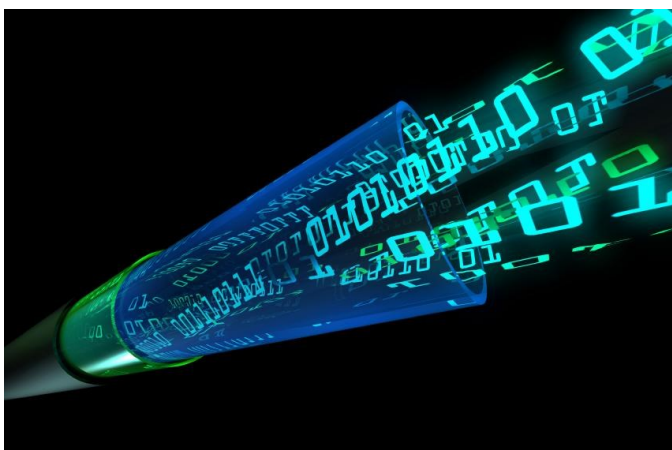
**Cost-to-Continue Budget :** The Commission's 2011-2013 Biennial Budget was a cost-to-continue budget, with only requests for full-funding of salary, fringe benefits and building lease. The biennial budget act included the elimination of long-term vacancies – for the Commission that constituted 16 positions, or 80 percent of our current vacancies – as well as the conversion of three (3) classified civil servants to three unclassified staff.

**Commission Reorganization:** Phase one of the Commission's reorganization was completed on October 1, 2013, with the creation of the new Division of Business and Communications Services. This came from the consolidation of the Telecommunications Division and the Division of Administrative Services. This was completed with a zero net gain in positions and addressed the changes that impacted the Telecommunications Division with the passage with 2011 Wisconsin Act 22 that modernized the telecommunications industry in the state.

**Federal Grant Extension and Use:** Work continued on the federal grant programs that were awarded in 2009. The 6-month extension the Commission received for its Electricity Regulators grant from the Department of Energy ended on September 30, 2013.

**Strategic Business Planning Model:** Administrative Services launched a new strategic business planning model that included a strong focus on how technology can create efficiencies, streamline procedures and help the Commission communicate more clearly to its internal and external customers.

**Supervisor Training:** The Commission began an in-house supervisor training program that included training on constructive communication and reclassification processes. In response to this training, the Commission executed a new Performance Evaluation System that focuses on four core qualitative measures — excellence, communication, leadership, workplace culture. This new system is designed to enhance the trust relationship between employees and their supervisors by establishing and encouraging an open and clear dialogue that creates mutual understanding of performance expectations, standards and direction on how to best reach them.



**Broadband Development:** The State Broadband Data and Development Grant team continued its work in improving its statewide map and further analyze broadband demand. The State Broadband Office successfully hosted its first Broadband Symposium, which attracted several hundred attendees.



# PROGRAM GOALS & OBJECTIVES FOR 2013-2015 BIENNIUM

## Gas and Energy

To reflect the changing needs of the Commission, the public and the regulated community, the Commission will be implementing changes in the next biennium to its organizational structure. The Commission will complete the integration (both operationally and physically) of the former Division of Administrative Services and the Telecommunications Division into a new division, to be known as the Division of Business and Communications Services (DBCS). Further, in recognition of the ever increasing importance of the wholesale energy markets, the Commission intends to create a new division, to be known as the Division of Wholesale Energy Markets.

**Rates:** The Commission will continue to look for innovative ways to keep gas and electric rates in check. The Commission will continue to closely examine requests for rate increases. In 2013, the Commission cut rate increase requests by approximately \$127 million, or 42 percent. The Commission will continue to look at rate-allocation and rate design mindful of the impact on residential and business customers.

**Transmission:** The Commission will continue its active participation in regional transmission planning efforts at the Midcontinent Independent System Operation (MISO) and tariff development at the Federal Energy Regulatory Commission to ensure that Wisconsin's interests are fairly represented. The Commission will continue to take an active role with other MISO states via the Organization of MISO States (OMS).

**Renewables:** Wisconsin Stat. § 196.378 established Wisconsin's Renewable Portfolio Standard (RPS). The RPS requires Wisconsin retail electric providers to provide a minimum percentage of the electricity they supply at retail from renewable resources. By December 31, 2015, roughly 10 percent of all electric energy consumed in the state is to be from renewable resources. The Commission will continue to review electric provider compliance with the RPS. In the last biennium, providers were required to achieve a renewable energy percentage at 2.0 percent above their respective baselines. All Wisconsin electric providers were in compliance with the RPS goals to date. To comply with the RPS in 2015 and thereafter, electric providers will need to meet and sustain a level that is 6.0 percent above their respective baselines. The Commission will continue to review electric provider compliance with the RPS 2015 goal. Most electric providers have achieved renewable energy sales levels at or near their 2015 requirements.





# PROGRAM GOALS & OBJECTIVES FOR 2013-2015 BIENNIUM

## Water, Compliance and Consumer Affairs

The Division of Water, Compliance, and Consumer Affairs (DWCCA) is responsible for the financial regulation of 583 water and combined water and sewer public utilities in Wisconsin. The Division also offers assistance to all of the state's utilities in compliance with the statutes, code, and record keeping requirements and the development of consumer affairs policies. It also coordinates consumer information and the resolution of consumer complaints for electric, gas, and water utilities.

In the next biennium, Consumer Affairs will continue to work with utilities and its customers proactively to reduce the need for consumers to file complaints with the Commission.

The Commission will continue to incorporate water conservation program elements into its standard rate case and construction authorization processes. Given the increasing operational and capital costs associated with new water supply sources, the Commission will continue to work with utilities to incorporate sound integrated planning concepts into decision making on new capital projects. Before receiving authorization of a project that includes new or expanded sources of supply, utilities must demonstrate why a construction project is both necessary and more cost effective than obtaining additional water supply by reducing water loss, implementing customer demand management programs, and/or pursuing other alternatives, including cooperative arrangements with neighboring systems.

The Commission will continue to examine the financial viability of many of the smaller municipally owned water utilities, and encourage utilities to reduce costs through increased cooperation and regionalization. The Commission will use information from the annual reports to schedule on-site compliance reviews for some utilities. These efforts are intended to help utilities struggling with high costs, declining sales, or other financial problems, including helping them to complete rate cases to ensure that they have sufficient revenues to provide safe and adequate water service.



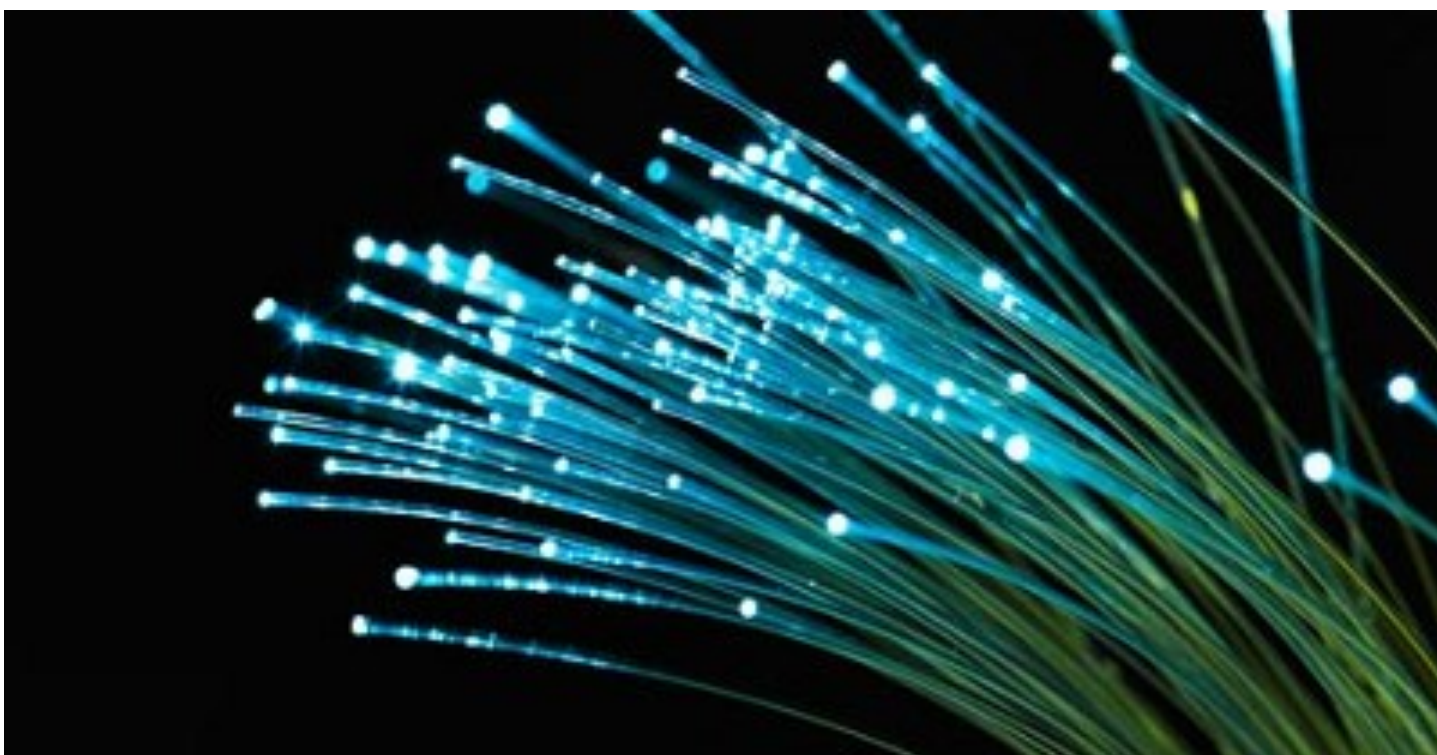
# PROGRAM GOALS & OBJECTIVES FOR 2013-2015 BIENNIUM

## Division of Business and Communications Services

For the remainder of the State Broadband Data and Development grant period, the State Broadband office will focus its efforts on transitioning the federally funded program to a fully state operated one. Visits to the nine regional planning teams will continue throughout the grant cycle, as well as focused efforts on technical training.

The Commission will pursue a website redesign that better focuses its content for its utility and consumer categories as well as a complete overhaul of its intranet, to better communicate with and train staff.

Other goals in continued execution of the Commission's strategic business plans, including space consolidation to better service staff, an online peer evaluation system and a web-based knowledge transfer site to capture historical knowledge of retiring staff.



## FLEXIBLE-TIME WORK SCHEDULES AND OTHER ALTERNATIVE WORK PATTERNS FOR 2013-2015 BIENNIUM

The Commission has had a large amount of success working with staff and management when creating flexible-time and other alternative work patterns over the previous biennium.

The Commission has historically been very generous in the application of its alternative work patterns and continues to be so with its high-performing staff. As flexible schedules and alternative work patterns are a benefit for those staff that achieve the Commission's core values, the Division of Business and Communications Services is in the process of revising our current policy related to flex-time and other alternative work patterns.

When a new policy has been approved and is being utilized, employees that choose to use flexible-time schedules or other alternative work patterns will submit annual schedules for supervisor review and approval.



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