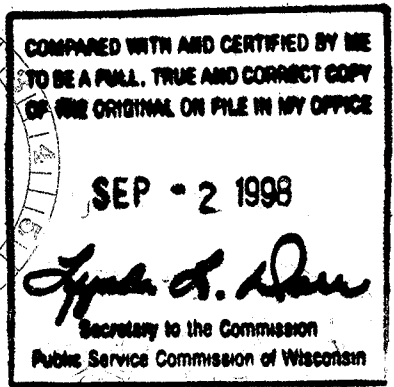
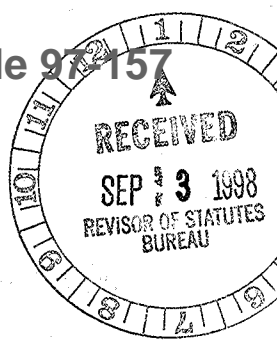


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BEFORE THE

PUBLIC SERVICE COMMISSION OF WISCONSIN

In the Matter of Proposed Revision of Chapter PSC 112,
Wis. Adm. Code - Construction by Electric Public
Utilities and Extensions of Electric Service

1-AC-168

**ORDER OF THE
PUBLIC SERVICE COMMISSION AMENDING RULES**

The Public Service Commission of Wisconsin (Commission) adopts amendments to ch. PSC 112, Wis. Adm. Code, and specifically s. PSC 112.05, Wis. Adm. Code, relating to rules concerning electric construction by public utilities requiring Commission review and approval.

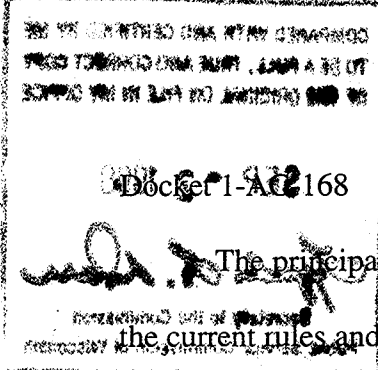
Analysis Prepared by the Public Service Commission of Wisconsin

Statutory authority: 196.02(3), 196.49(3)(b), and 227.11, Stats.
Statutes interpreted: 196.49, 196.491, and 196.495, Stats.

On December 4, 1997, the Commission directed, on its own motion, that a rulemaking proceeding be initiated to amend ch. PSC 112, Wis. Adm. Code, specifically, s. PSC 112.05, Wis. Adm. Code.

This chapter describes which electric construction projects are of significant scope and cost as to require review and approval under the statutory provisions of s. 196.49, Stats., for monetary thresholds or limits based on the estimated cost of the project. These rules were last revised in late 1995 and became effective December 1, 1995.

11-1-98
97-157



The principal reasons for the proposed amendments are to adjust the cost thresholds of the current rules and to strike a balance between the needs of the public. The Commission is responsible for oversight, review and approval of the larger, more significant projects, and the utility's desire for reasonable latitude to pursue the large number of less significant, minor and routine construction projects without the delays and burdens of specific regulatory approval.

On September 30, 1997, the Commission, in its Report to the Governor on Electric Reliability, recommended increasing the cost thresholds of s. PSC 112.05, Wis. Adm. Code, to eliminate some projects from Commission review and approval. This recommendation furthers the effort to streamline the regulatory review process and to address reliability needs.

Commission staff analysis of construction project applications indicates that many projects are additions, upgrades, or modifications to existing generating plants and substations or are minor transmission improvements. The ability to complete these types of projects quickly will enable utilities to respond to local reliability concerns without either an unreasonable rate impact for utility customers or the increased risk of environmental harm.

PROPOSED RULE AMENDMENTS

The Commission proposes that s. PSC 112.05(1m)(a), (2), and (3), Wis. Adm. Code, be amended as follows:

SECTION 1. PSC 112.05 (1m)(a) is amended to read:

(1m)(a) No public utility may begin a project to construct or rebuild a transmission line whose length exceeds 10 miles and whose cost is less than the applicable amount specified in sub (3) without first filing a report under par. (b) and securing commission approval under par. (c). The report and commission approval are not required for projects entirely within existing electric utility transmission line right of way.

SECTION 2. PSC 112.05 (2) is amended to read:

(2) A Wisconsin electric utility proposing to construct, install or place in operation any of the utility facilities listed in sub. (1) in another state in which it serves shall notify the commission at least 60 days before beginning construction. The notification shall include a description of the project, its location, the estimated cost, a discussion of need, permits or approvals required by the other state or local governments, and the approximate jurisdictional allocation of the cost between Wisconsin and the other state. Notwithstanding s. PSC 112.05 (3), if a significant portion of the cost of the project will be allocated to Wisconsin for ratemaking purposes, the commission may require that the utility submit an application under s. PSC 112.06, for commission authorization prior to construction, under installation or operation.

SECTION 3. PSC 112.05(3) is amended to read:

(3)(a) Cost thresholds for projects requiring commission review and approval under this section are as follows:

1. If the applicant electric utility's prior year electric operating revenues are less than ~~\$2,500,000~~\$5,000,000, any project whose estimated gross cost exceeds ~~\$50,000~~\$100,000.

2. If the applicant electric utility's prior year electric operating revenues are between ~~\$2,500,000~~\$5,000,000 and ~~\$150,000,000~~\$250,000,000, any project whose estimated gross cost exceeds 2 percent of these revenues.

3. If the applicant electric utility's prior year electric operating revenues are more than ~~\$150,000,000~~\$250,000,000, any project whose estimated gross cost exceeds ~~\$3,000,000~~\$5,000,000.

(b) Beginning in ~~1996~~, calendar year 2000, and on May 1 of each successive even-numbered year thereafter, the Commission shall adjust the estimated gross cost thresholds in paragraph (a) to account for inflation in the cost of electric utility construction. The adjustment shall be based on cost index numbers published in the "Handy-Whitman Index of Public Utility Construction Costs, Cost Trends of Electric Utility Construction - North Central Region for Total Transmission Plant" (Handy-Whitman Index). The Commission shall make the adjustment calculation by multiplying each gross cost threshold in paragraph (a) by the ratio of the ~~cost index~~Handy Whitman Index number ~~of~~ on January 1 of the most recent even-numbered year (numerator) to the ~~cost index~~Handy Whitman Index number ~~of~~ on January 1, ~~1994~~1998 (denominator). The commission shall notify all electric utilities of the resulting adjusted cost limits by May 15 of each even-numbered year. If the referenced Handy-Whitman Index is no longer available, an equivalent successor index may be used which is generally recognized by the electric industry and acceptable to the commission.

Public Hearing

Pursuant to the Commission's Notice of Investigation and Hearing issued December 23, 1997, and published in the January 15, 1998, Wisconsin Administrative Register, a public hearing was held on the proposed amendment before Hearing Examiner Donna Paske in the Public Service Commission Building on February 26, 1998.

Fiscal Estimate

There will be no fiscal impact of the proposed rules on state or local units of government. Utilities and the Commission should benefit from a reduction in the number of small and relatively minor projects that will require specific review and approval. The proposed amendment will have no effect on small businesses.

Effective Date

These rules will take effect on the first day of the month following publication in the Wisconsin Administrative Register, as provided in s. 227.22, Stats.

Environmental Analysis

This is a Type II action under s. PSC 4.10(2), Wis. Adm. Code. An environmental assessment was prepared to determine if an environmental impact statement is necessary under s. 1.11, Stats. It has been determined that no significant environmental impacts are likely. Therefore, an environmental impact statement is not required.

Docket 1-AC-168

These proposed amendments were forwarded to the Legislature for review pursuant to s. 227.19, Stats. No action was taken during the committee review period.

Dated at Madison, Wisconsin, September 1, 1988

By the Commission:

Lynda L. Dorr
Lynda L. Dorr
Secretary to the Commission

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Public Service Commission of Wisconsin

Joseph P. Mettner, Chairman
John H. Farrow, Commissioner

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

September 1, 1998

Mr. Gary Poulson, Deputy Revisor of Statutes
Revisor of Statutes Bureau
131 West Wilson Street, Suite 800
Madison, WI 53703

Re: In the Matter of Proposed Revision of Chapter PSC 112, Wis. Adm.
Code - Construction by Electric Public Utilities and Extensions of
Electric Service

1-AC-168

Dear Mr. Poulson:

Enclosed are two certified copies of September 1, 1998, order of the Public Service Commission adopting rules in this docket. The rules were sent to legislative committee on May 14, 1998, and recently cleared the legislative review process without comment.

We have also included a disk with the text of the rules in Word 6.0. Let us know if there are any questions or problems.

Due to the complexity of the code, our engineers who administer the Code would appreciate the ability to review the galley proofs before final printing. The principal staff contact for this is Mohammed Monawer of our Electric Division at (608) 267-7778.

Sincerely,

Leon M. Swerin
Legal Counsel
Electric Division

LMS:mem:L:\Letter\1-AC-168 Poulson

Enclosures

cc: Mohammed Monawer, PSCW

