

DEC 01 1999



Wisconsin Community Action Program Association

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November 29, 1999

Mr. Bruce Humphrey
Office of Senator Rodney Moen
PO Box #7882
Madison, Wisconsin 53702

Dear Bruce:

This letter is in follow-up to our phone conversation earlier today, regarding the upcoming hearing on the appointment of Ms. Avie Bie to the PSCW.

In late 1997, the PSCW – through Docket 05-BG-100 – set up a workgroup to examine the future of consumer protections and essential services in the natural gas industry. This workgroup met for most of 1998, issuing a final report to the Commission in April 1999. The Commission has not yet taken up this report for consideration.

The workgroup's recommendations, in a nutshell, called for maintenance of current consumer protections in any restructured natural gas market, with a four-phase transition model which would ensure these issues were dealt with properly before the restructuring and/or deregulation of residential markets went too far. Recommendations were also developed with an eye for the future restructuring of electricity markets; while the group's mandate was solely related to natural gas, it did not escape the group that the ground it was covering would be applicable to a great degree in regards to the electric industry, as well.

Until such time as residential natural gas markets are moved towards competition, the current regulatory/statutory regime for consumer protections is sufficient. Commission staff have indicated to us that, with issues of reliability, generation, transmission, and mergers, the Commission's plate is quite full and they are not looking at residential natural gas issues with any urgency. This is understandable. ~~However, what is of concern to us and the other consumer groups on the workgroup is that the Commission provide some direction that, when it is ready to take up restructuring in the natural gas markets, consumer protections will be dealt with as a prerequisite and, hopefully, in line with the workgroup's recommendations.~~

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I am enclosing, for further information, the executive summary of the workgroup's report, a roster of the workgroup members and a document we put together highlighting workgroup recommendations.

Thank you for your time and interest in looking at this. We would be most grateful for any interest Senator Moen might have in soliciting Chairman Bie's position on this critical issue. Feel free to contact me for any further information at 244.0466 or jones@chorus.net.

Sincerely,



Bob Jones,
Housing & Energy Director

**Natural Gas Workgroup on
Consumer Protection and Essential Services**
Docket 05-BG-100
Members of the Core Workgroup

Robert Anderson: Wisconsin Council on Children and Families

Kay Bender: Wisconsin Coulee Region Community Action Program, Inc.

Oscar Bloch: Public Service Commission of Wisconsin

William Clay: Opportunities Industrialization Center of Greater Milwaukee

Lucio Fuentez: Partners for Community Development, Inc.

Gary Gorlen: Department of Administration, Division of Housing

Mary Pat Lytle: Public Service Commission of Wisconsin

Robert Jones: Wisconsin Community Action Program Association

Marc Nielsen: Alliant Energy – Wisconsin Power and Light Company
(for combination gas & electric utilities)

Martha Piepgras: St. Croix Valley Natural Gas Company
(for small gas utilities)

Thelma Sias: Wisconsin Gas Company
(for large gas utilities)

A. Rowland Todd: American Association of Retired Persons

John Walker: Energy Marketing Association of Wisconsin

DELEGATED ITEMS

Updated July 21, 1998

Comm. Office		Examining		Natural Gas		Telecomm.	
Div. Color	ITEM	DATE and DESCRIPTION	CODE/ STATUTE	TO WHOM DELEGATED			
	1	Issue notices of investigation, prehearing conference, and initial notice of hearing. (Administrator uses discretion to determine if it should be sent to the Commission)		Hearing Examiner (Administrator only)			
	2	Limited authority to approve bill inserts for major utility rate cases.		Hearing Examiner (Administrator only)			
	3	Issue orders for small uncontested holding company applications.		Hearing Examiner			
	4	Issue municipal rate orders that are uncontested.		Hearing Examiner			
	5	Issue A.T.U. orders (no hearing required)		Hearing Examiner			
	6	Open records requests.		Hearing Examiner (Administrator only)			
	7	Issue uncontested toll orders.		Hearing Examiner			
	8	Issue sewer deregulation orders that are uncontested.		Hearing Examiner			
	9	Tariffs		Division Administrator or Acting Division Administrator			
	10	Approve ANR Pipeline refund requests.		Division Administrator or Acting Division Administrator			
	11	Requests to withdraw applications, tariffs, complaints and requests for declaratory rulings where no notice of prehearing or hearing has been issued.		Division Administrator or Acting Division Administrator			
	12	Utility Assessments		Division Administrator or Acting Division Administrator			
	13	Filing of telecommunications contract tariffs for service categories previously approved for other LEC's and raising no new issues.	§ 196.194	Division Administrator or Acting Division Administrator			
	14	Approval of telecommunications 911 notices and contracts that do not contain new or unique provisions.	PSC 173	Division Administrator or Acting Division Administrator			
	15	Telecommunications Coop construction applications over \$75,000.		Division Administrator or Acting Division Administrator			
	16	Accept for filing telecommunications construction applications where there are no staff recommended disallowances or special conditions.		Division Administrator or Acting Division Administrator			
	17	Process routine telecommunications waivers for proposed rates.	§ 196.215	Division Administrator or Acting Division Administrator			
	18	Notify a small telecommunications utility when sufficient petitions have been filed to commence Commission review of the company's proposed rate increase.	§ 196.20	Division Administrator or Acting Division Administrator			
	19	Approval to extend water meter test period.		Division Administrator or Acting Division Administrator			

DELEGATED ITEMS

Updated July 21, 1998

Comm. Office		Natural Gas	Telecomm.		
Div. Color	ITEM	DATE and DESCRIPTION		CODE/ STATUTE	TO WHOM DELEGATED
	20	Approve/acknowledge water and sewer construction applications where there is no hearing, no special problems, and the projected rate increase is less than 100%			Division Administrator or Acting Division Administrator
	21	Approval of construction of electric transmission lines rated at a nominal voltage of less than 100 kV and all electric transmission less than one mile in length (excluding those lines rated at a nominal voltage of more than 345 kV).		PSC 112 § 196.49	Division Administrator or Acting Division Administrator
	22	Construction of electrical substations, or additions to existing stations, rated at nominal voltage less than 100 kV and all distribution substations.		PSC 112 § 196.49	Division Administrator or Acting Division Administrator
	23	Approval of construction of all water and sewer utility facilities which are contested and have a hearing. (Uncontested already delegated)		PSC 184 § 196.49	Hearing Examiner
	24	Approval of water and sewer construction cases that have been to hearing and are uncontested.			Division Administrator or Acting Division Administrator.
	25	Approval of construction of telephone utility facilities, even if there is a disallowance except as provided under s. PSC 2.90(2)(g), Wis. Adm. Code. PSC 2.90(2)(g) excludes authorization to provide service to new service areas in which facilities are designed to accommodate 50 or more residential customers (or an equivalent combination of industrial, commercial or residential customers) and service extension is greater than ½ mile. (Those with no disallowances are already delegated).		PSC 162	Division Administrator or Acting Division Administrator
	26	Approval of construction of gas utility facilities, other than competing applications for new service territory.		PSC 133 § 196.49	Division Administrator or Acting Division Administrator
	27	Approval of a proposed order for the construction of competing applications for new gas service territory. The proposed order should be circulated to the parties for comment and sent to the Commission for final decision. Deleted per AC meeting of 5/14/96.		PSC 133 § 196.49	Division Administrator or Acting Division Administrator
	28	Electric construction orders which do not require a CPCN under § 196.491. Exception: Cases in which there are competing applications for new service territory are not delegated.		PSC 112 § 196.491	Division Administrator or Acting Division Administrator
	29	All water rate orders.		§ 196.20	Hearing Examiner
	30	All contested municipal electric rate orders.		§ 196.20	Hearing Examiner

DELEGATED ITEMS
Updated July 21, 1998

Div. Color	ITEM	Comm. Office	DATE and DESCRIPTION	CODE/ STATUTE	TO WHOM DELEGATED
	31		<p>All electric rate orders for:</p> <ul style="list-style-type: none"> - Consolidated Water Power Co. - Dahlberg Light and Power Co. - North Central Power Company, Inc. - Northwestern Wisconsin Electric Co. - Pioneer Power and Light Co. - Westfield Milling and Electric Light Co. <p>(The effect of this is that orders for WPL, WE, MGE, WPS, NSP and SWLP would come to the Commission for decision)</p>	§ 196.20	Division Administrator or Acting Division Administrator
	32		All municipal gas rate orders.	§ 196.20	Hearing Examiner
	33		<p>All gas rate orders for:</p> <ul style="list-style-type: none"> - City Gas Co. - Midwest Natural Gas Inc. - Natural Gas, Inc. - St. Croix Valley Natural Gas Co. Inc. <p>(The effect of this is that orders for WPL, MGE, WPS, NSP, WGC, WNG, SWLP and WFL would come to the Commission for decision)</p>	§ 196.20 PSC 2.90(2)(f)	Division Administrator or Acting Division Administrator
	34		Certification of depreciation rates, if no objection is raised in a collective division administrator review prior to issuance.	§ 196.09	Division Administrator or Acting Division Administrator and specific industry
	35		Closure of dockets when standard procedures do not apply.		Division Administrator or Acting Division Administrator
	36		Accounting orders, including orders approving the implementation of accounting principles, must be agreed on by all parties (including utilities), Staff Accounting Policy Team, and by all interested Division Administrators. (Applications and/or implementation of accounting policy has already been delegated).	§ 196.06	All Division Administrator or Acting Division Administrator or Staff Accounting Policy Team
	37		Dismissal of cases prior to the hearing, but after notice, provided dismissal is agreed on by all parties and the staff associated with the case.		Hearing Examiner
	38		Approval of purchase and sale of utility facilities involving transfer of customers to the purchasing utility where customers being transferred voice no objection.	PSC 2.71; PSC 2.72; PSC 112; PSC 133; PSC 140; PSC 162; PSC 184; § 196.10; § 196.505; § 196.80; § 196.81	Division Administrator or Acting Division Administrator

DELEGATED ITEMS
Updated July 21, 1998

Div. Color	Comm. Office	Natural Gas	Telecomm.	DATE and DESCRIPTION	CODE/ STATUTE	TO WHOM DELEGATED
	39			Approval of territorial agreements between electric utilities.	PSC 112	Division Administrator or Acting Division Administrator
	40			Approval of construction of steam transmission and distribution facilities.	PSC 140	Division Administrator or Acting Division Administrator
	41			Annual determination of rate of interest to be paid on deposits during calendar year. Residential electric Commercial and farm electric Residential gas Commercial and farm gas Telephone Water residential	PSC 113.1315(9)(b) PSC 113.1315(9)(b) PSC 134.061(9)(b) PSC 134.0615(9)(b) PSC 165.051(5)(b) PSC 185.36(5)(b)	Division Administrator or Acting Division Administrator
	42			Approval of the date for utility noticing the customer of opportunity for reconnection and dates for utility reporting of the same to the Commission. Electric Gas (less than 400,000 customers) Gas (greater than 400,000 customers)	PSC 113.1323(1) & (2) PSC 134.0623(1)(b) & (2) PSC 134.0623(1)(a) & (2)	Division Administrator or Acting Division Administrator
	43			Approval of disconnection procedures adopted by the utility. Electric Gas	PSC 113.1324(12)(b) PSC 134.0624(12)(b)	Division Administrator or Acting Division Administrator
	44			Approval of utility internal procedures for cold weather disconnection: Electric Gas	PSC 113.1324(14) PSC 134.0624(14)	Division Administrator or Acting Division Administrator
	45			Commission or staff imposed requirement of repayment of interest for fair and equitable resolution of individual complaint: Electric Gas	PSC 113.16(9)(d) PSC 134.13(9)(d)	Division Administrator or Acting Division Administrator

DELEGATED ITEMS

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Div. Color	Comm. Office	Examining	Natural Gas	Telecomm.	DATE and DESCRIPTION	CODE/ STATUTE	TO WHOM DELEGATED
	46	Form of disconnect notice: Electric Gas Telephone Water			PSC 113.132(9)(c) PSC 134.062(8)(c) PSC 165.052(6)(c) PSC 185.37(8)(c)	Division Administrator or Acting Division Administrator	
	47	Approval of utility late payment charges: Electric Gas Water			PSC 113.16(1)(a)15.(g) PSC 134.13(1)(a)15.(g) PSC 185.33(1)(b)	Division Administrator or Acting Division Administrator	
	48	Routine requests for Compliance Deadline Extensions: Grant extensions for a utility's compliance with a filing that is mandated in an order.			§ 196.39	Division Administrator or Acting Division Administrator	
	49	Grant immaterial or temporary deviations from rules related to the standards for telecommunications services as long as the deviation does not impact service quality.			§ 165.01(3)	Division Administrator or Acting Division Administrator	
	50	Grant waivers from order provisions when such a similar waiver has already been granted by the Commission and granting this waiver will not set a precedent.			§ 196.39	Division Administrator or Acting Division Administrator	
	51	10/6/94 Commission Memo - Delegation of Authority to Suspend New Service Tariffs for Telecommunications Utilities Under s. 196.19(1m)(b), Stats.			§ 196.19(1m)(b)	Division Administrator	
	52	12/15/94 - Approval of amended affiliated interest orders covering minor housekeeping items or adding a party to the agreement without changing the terms of the respective division administrators.				Division Administrator	
	53	12/15/94 - Issuance of routine securities orders for investor-owned utilities.			§ 194.03	Division Administrator	
	54	2/6/95 Administrative Council Memo - Delegation of Authority to Adjust Moody's Average Yields on Baa Public Utility Bonds and Weighted Average Basic Single-Party Residential Monthly Rate Under ss. 196.215(5)(b)(4) and (7)(b)(2), Stats.			ss. 196.215(5)(b)(4) and (7)(b)(2), Stats.	Division Administrator	

DELEGATED ITEMS

Updated July 21, 1998

Div. Color	Comm. Office	Item No.	DATE and DESCRIPTION	Natural Gas	Telecomm.	TO WHOM DELEGATED
		55	4/18/96 Commission Memo - 496PROC - Local Exchange Telecommunications Utility Affiliated Interest Agreements/Contracts - Reporting Requirements and Methods of Calculating and Monitoring Rate of Return on Equity			Division Administrator
		56	5/31/96 Commission Memo - Delegation of Authority to Determine the Annual Rate Increase Factor and the Annual Overall Rate of Return for Simplified Rate Cases, and Authority to Issue Orders for Simplified Rate Cases, All Under s. 196.193, Stats.			Division Administrator
		57	3/6/97 Delegation of Notices and Orders for Alternative Telecommunications Utility Certifications			Division Administrator
		58	4/21/97 Telecommunications provider of last resort notice language - Delegated approval of customer notice language for the notice to customers when a telecommunications utility seeks to have its intraLATA toll provider of last resort responsibilities removed for an exchange (or exchanges) provided they comply with the general guidelines approved in 6720-TA-116 at open meeting of April 17, 1997.			Telecommunications Division Administrator
		59	4/24/97 - Docket 05-TI-140 - Investigation of the Implementation of the Telecommunications Act of 1996 of Wisconsin (Local Number Portability). Direct and coordinate the process for administering local numbering portability.			Telecommunications Division Administrator
		60	7/3/97 - Determine whether requests for telecommunication interconnection are bona fide.			Telecommunications Division Administrator
		61	8/19/97 - Issuing of notices and uncontested river toll rate orders.			DWCCA Division Administrator
		62	9/16/97 - Approval of voluntary interconnection agreements.			Telecommunications Division Administrator
		63	10/23/97 - Boundary-crossing cases involving municipally-owned water public utilities.			DWCCA Division Administrator
		64	12/16/97 - Uncontested municipal rate case decisions are transferred from the Hearing Examiner to the Division Administrator for the DWCCA, Electric, and Gas rate case decisions. See Items No. 4, 30, and 32.			From Hearing Examiner to the Division Administrator
		65	12/18/97 - Provide notification to the LECs to make use of the Homestead Tax Credit eligibility verification process a mandatory part of the Lifeline and Link-Up Programs, when that process becomes available.			Division Administrator

DELEGATED ITEMS
Updated July 21, 1998

Admin. Serv.	Comm. Office	Electric	Examining	Natural Gas	Telecomm.	Water	TO WHOM DELEGATED
Div. Color	ITEM	DATE and DESCRIPTION				CODE/ STATUTE	
	66	1/29/98 - Request for variances to the valve operating period.				s. PSC 185.87	DWCCA Administrator
	67	5/14/98 - Approve consensual line route modifications (additional right-of-way).				Order Point 6	Electric Administrator
	68	5/14/98 - Commence and close revocation proceedings, if appropriate corrections have been made (resellers of telecommunications).					DWCCA Administrator
	69	5/21/98 - Review and approval of future filings for the service offering (Non-Telemetered Gas Transportation Pilot).					NGD Administrator
	70	6/2/98 - Water public utility consolidation, merger, and abandonment cases.				ss. 196.80 and 196.81, Stats.	DWCCA Administrator
	71	6/30/98 - Intervention in the Federal Energy Regulatory Commission natural gas and electric proceedings where the PSC takes no position.					Division Administrators
	72	7/9/98 - Authority to approve future small local distribution company supply plans.					NGD Administrator

k:\Delegation Projects\Delegation Chart
Updated 7/21/98

DELEGATED ITEMS
Updated March 9, 1999

Div. Color	Comm. Office	Natural Gas	Telecomm.	DATE and DESCRIPTION	CODE/ STATUTE	TO WHOM DELEGATED
	66			1/29/98 - Request for variances to the valve operating period.	s. PSC 185.87	DWCCA Administrator
	67			5/14/98 - Approve consensual line route modifications (additional right-of-way).	Order Point 6	Electric Administrator
	68			5/14/98 - Commence and close revocation proceedings, if appropriate corrections have been made (resellers of telecommunications).		DWCCA Administrator
	69			5/21/98 - Review and approval of future filings for the service offering (Non-Telemetered Gas Transportation Pilot).		NGD Administrator
	70			6/2/98 - Water public utility consolidation, merger, and abandonment cases.	ss. 196.80 and 196.81, Stats.	DWCCA Administrator
	71			6/30/98 - Intervention in the Federal Energy Regulatory Commission natural gas and electric proceedings where the PSC takes no position.		Division Administrators
	72			7/9/98 - Authority to approve future small local distribution company supply plans.		NGD Administrator
	73			3/4/99 - Authority to determine complete utility application for Certificates of Public Convenience and Necessity	§ 196.491(3)(a)2	Electric Division Administrator

k:\Delegation Projects\Delegation Chart
Updated 3/9/99

EXECUTIVE SUMMARY

The purpose of this report is to present to the Public Service Commission of Wisconsin (Commission) policy recommendations on consumer protection and essential services for the natural gas industry. These recommendations are made in anticipation of continuing, if incremental, changes in how gas supplies are purchased and delivered to small customer markets in Wisconsin. While the emphasis of this report is on how these policies will affect all essential service customers¹, many of these recommendations apply equally to low-income customers. It is the workgroup's assumption that low-income customers are more likely to be willing participants and beneficiaries in competitive gas supply markets if the same opportunities and protections are available to all customers.

The natural gas industry has undergone significant changes in the last 15 years. Both federal and state regulatory policies have changed in response to more open competition at the wholesale and retail level for the production, transportation and use of natural gas. The Commission has made a series of decisions since 1992 that allow competitive gas supply markets to develop incrementally and that reduce or eliminate barriers to competition.

In this context, the development of a cohesive policy on natural gas consumer protection and essential services by the Commission is both a challenge and an opportunity. The challenge is for the Commission to establish appropriate governmental authority over future consumer protection policy affecting the gas industry at a time when there is uncertainty about the pace and scope of deregulation and the future regulatory role of the Commission. Competitive gas marketers may not enter the Wisconsin market for small customer gas use if regulations are perceived to be too burdensome or inequitable. Educating essential service customers about competitive choices and protecting them from market failure are substantial tasks, ones that the Commission has acknowledged it must face before deregulation. Local distribution companies

¹ In docket 05-GI-108 (Phase III), the impetus for this report, the Commission defined essential services as those services which, if not delivered, or if disconnected, would endanger the health, safety and welfare of customers who cannot afford to pay for these services, or be without these services for any reason. This effectively includes all residential customers and residential tenants of commercial buildings whose health and safety would be threatened by disconnection.

(LDCs)² have taken varying positions on their future role as transporters and/or sellers of gas supplies purchased directly by customers.

The opportunity is to take advantage of the slow, incremental approach to deregulation of gas supply markets that the Commission has endorsed. By establishing consumer protection policy in stages, the Commission, the public and the natural gas industry will learn from various gas supply pilots and other experiments with market mechanisms, while maintaining appropriate governmental authority to take corrective action. Consumers, marketers and utilities may benefit more in the long term by adopting this approach. They may also be more accepting of permanent changes.

The Mission of the Workgroup

In response to consumer protection and essential service issues raised but not resolved in Phase III of the Gas Industry Restructuring docket, 05-GI-108, the Commission appointed a workgroup of representatives from various constituencies to recommend consumer protection policy for essential service customers, including low-income customers. These issues are to be addressed **before** the Commission proceeds with deregulation of any gas supply markets in Wisconsin.

To minimize confusion about the mission of this workgroup, it is important to understand the connections between public benefits³, overall consumer protection policy and marketer certification. Public benefits are services, some of which are classified as protections for low-income customers of LDCs. The Commission has recommended that these services be preserved regardless of the pace or outcome of deregulation. Marketer certification requirements will affect essential service customers' access to safe, reliable and affordable gas supply services.

The consumer protection workgroup has a broad mission to make policy recommendations on all areas of natural gas consumer protection for essential service customers.

² A LDC is defined, for the purpose of this report, as the entity that provides only regulated utility services. A LDC provides regulated gas supply and transportation services to customers in a monopoly franchise area, while its parent utility or utility affiliate can sell unregulated gas supply services to any customer within or outside of the LDC's monopoly service area.

³ Public benefits are defined here as low-income energy services, energy efficiency, renewable energy development and environmental research and development. They are described in more detail in the Commission's Enunciation of Policy and Principles, docket 05-BU-100.

The final report of this group makes recommendations that also relate to public benefits and marketer certification. Although each of these elements of consumer protection policy is on a distinct track, they are interconnected and should be consistent.

The Commission approved the following primary objectives for the workgroup in the summer of 1997:

- A. *Discuss alternatives and make recommendations to the PSC on the continuation, enhancement and/or modification of consumer protection policy and rules that currently apply to gas utility customers in Wisconsin.*
- B. *Discuss alternatives and make recommendations to the PSC on the development and testing of market mechanisms which optimize benefits to essential service customers and providers in competitive natural gas energy markets.*
- C. *Discuss alternatives and make recommendations to the PSC on the recovery of costs associated with the winter moratorium and provision of energy services to essential service customers.*

In addition, the Commission endorsed the following three principles as general guidelines for recommendations from the workgroup⁴:

- A. *All customers should benefit or should have the opportunity to benefit from energy utility restructuring.*
- B. *Affordable, safe, reliable and cost-effective energy services should be available for all Wisconsin customers.*
- C. *All consumers and energy providers should share in the costs of providing low-income energy services.*

One of the primary objectives described in the mission statement of this workgroup is to make recommendations to the Commission on the recovery of costs associated with providing consumer protections to essential service customers. The workgroup acknowledges that little is

⁴ For a more complete description of the guiding principles, see Appendix 2.

known about the costs of consumer protection policy. A task force should be established to address, among other issues, how the costs of complying with the winter moratorium and supplier of last resort (SOLR)⁵ policy will be recovered by providers in a deregulated environment.

Summary of Policy Recommendations

The workgroup is making over fifty policy recommendations to the Commission within eight categories of protection: accessibility; affordability; health and safety; dispute resolution; consumer education; privacy and confidentiality of customer information; marketing practices; and market structure. These recommendations are viewed by the workgroup as a package that should be implemented in stages. For this purpose, the workgroup has organized its recommendations into four transitional phases. Many of these recommendations ask the Commission to take action soon, **before** Wisconsin consumers officially enter a transition phase when pilots and other experiments with competitive gas supply and SOLR policy expose them to new choices and risks.

The four transitional phases are:

1. Pre-Transition Phase: The essential elements of consumer protection policy that must be present for the development of competitive gas supply markets to proceed are identified and established.
2. Transition Phase: Competitive suppliers and/or aggregators enter the Wisconsin natural gas essential service market and participate in competitive gas supply and SOLR pilots. The Commission will have established standards and rules for market players and monitoring and evaluation will be done to judge the effectiveness of these pilots. Any periodic determination

⁵ A supplier of last resort is a gas marketer or supplier who is obligated to provide gas supply services to any customer in a defined service area who either requests it or is assigned to that supplier. For more discussion on this issue, refer to Section III.A.2 of the report and Appendix 4. For alternative viewpoints on this issue, refer to Appendices 5A, B and C.

that consumer protection policy or competition is not effective may result in corrective action by the Commission or other regulatory agency.

3. Initial Achievement of a Restructured, Effectively Competitive Market: The Commission determines that there are defined gas supply markets that meet the Commission's workable competition standards. This determination will trigger a final assessment of SOLR policy and result in a SOLR policy being implemented.

4. Maintenance of a Competitive Market: Following the initial determination of workable competition and SOLR policy, gas supply markets for essential service customers will be periodically monitored and evaluated to maintain effective competition and consumer protection policy.

All of the recommendations in this report rely on the Commission either verifying its current authority or establishing appropriate governmental authority through legislation. In some cases, a strong majority of workgroup members support the Commission having authority, while a minority support the Commission, or some other regulatory entity, having that authority. Issues of authority center on who will monitor and evaluate the effectiveness of consumer protection policy and gas supply competition, and who will take corrective action if either is not working.

The following summary of policy recommendations is segmented by the protection category it covers. Section III. C of the report provides a detailed description of all policy recommendations and the phases within which they should be established. Most of the recommendations are based on a consensus of the core workgroup. Where there is not a consensus, majority and minority viewpoints are described in the report within each protection category and in the Appendix.

- Accessibility: Policy recommendations address the maintenance and enhancement of access to safe, reliable and affordable gas transportation and supply services during and after a transition to competitive gas supply markets. Specific recommendations include: establishing a SOLR policy; retaining the LDC as SOLR during the transition phase; retaining the LDC as regulated distributor of gas supply during all phases; allowing gas

supply and SOLR pilots during the transition phase; allowing recovery of pilot costs in regulated LDC rates; evaluating the effectiveness of and need for pilots; and determining whether pilots should be mandated.

- Affordability: Policy recommendations address the maintenance and enhancement of the ability of customers to pay for gas supply and transportation services during and after a transition to competitive markets. Specific recommendations include: enacting public benefits legislation that is consistent with the Commission's Enunciation of Policy and Principles; monitoring and evaluating gas supply prices for essential services customers; taking action to correct problems, including decertification of marketers and establishment of additional measures to address affordability; and continuance of Early Identification Programs (EIP) during all phases of the transition to competitive markets.
- Health and Safety: Policy recommendations address the maintenance and enhancement of the consumer protections that are provided in Wis. Admin. Code ch. PSC 134 (gas service standards) during all phases of the transition to competitive markets. Specific recommendations include: modifying the rules to accommodate SOLR policy and compliance by all gas suppliers; maintenance of the winter moratorium; establishing a task force to identify and evaluate the costs of consumer protection; and evaluating possible deterrents to abuse of the moratorium.
- Dispute Resolution: Policy recommendations address the maintenance and enhancement of the dispute resolution process as required in Wis. Admin. Code ch. PSC 134 during all phases of the transition to competitive markets. Specific recommendations include: establishing rules and standards that govern responsibility for responding to consumer complaints by all parties; monitoring the complaint process to enforce rules; establishing the authority to monitor, evaluate and take corrective action; and maintaining a record of consumer complaints and their resolution and reporting this information to the regulating authority.

- Consumer Education: Policy recommendations address the establishment of authority, requirements and responsibility for statewide consumer education effort before, during and after the transition to competitive markets. Specific recommendations include: establishing statewide standards for consumer education; establishing evaluation criteria for measuring the effectiveness of consumer education programs; identifying the level and source of funding for consumer education; assessing the effectiveness of consumer education policy after the initial three years of the transition period; and periodically assessing whether consumers are aware of their gas supply options, rights and responsibilities.
- Privacy and Confidentiality of Customer Information: Policy recommendations address the protection of customer information that has been collected by utilities and establishment of rules for and authority over conditions and terms for release of that information. Specific recommendations include: establishing standards for access to customer information; establishing penalties for unauthorized disclosure of customer information; providing training on the rules governing disclosure and sharing of customer information; and establishing rules prohibiting the release of confidential customer information.
- Marketing Practices: Policy recommendations address the establishment of standards and rules that govern transactions between customers and gas marketers. Specific recommendations include: establishing standards for the presentation of gas service and price information to customers; establishing a common basis for service and price comparison; establishing rules that govern the switching of gas suppliers and the addition of services to a customer's bill; establishing prohibitions against undue discrimination; establishing the authority to enforce these standards; and decertifying marketers who repeatedly violate the standards.
- Market Structure: Policy recommendations address the establishment of rules that govern legal, regulatory and transactional relationships among LDCs, consumers, gas marketers and the Commission or other regulatory agencies. Specific recommendations include: determining that adequate supply and capacity exist to allow competitive gas supply markets

to develop in Wisconsin prior to initiating the transition phase; establishing a policy on backup gas supply services prior to initiating the transition phase; establishing marketer certification requirements; determining whether a defined gas supply market meets the Commission's workable competition standard, prior to deregulation and periodically thereafter; and periodically assessing the adequacy and effectiveness of consumer protection policy and competitive gas supply markets, with public input.

DISCLAIMER: This is a tentative schedule for planning purposes only. It is subject to change at any given point after the date on the front page, and should not be relied on for particular dates. Persons wishing to verify the times of particular events should do so independently of this schedule.

PROPOSED OPEN MEETING SCHEDULE - November 29, 1999

Meeting Date	Commissioners	Docket/File No.	Description	Transcript/Exhibits
November 30 10:00 a.m.	AMB JPM JHF	----- 3270-UR-109	Priorities MGE (draft order)	
December 2 1:30 p.m.	AMB JPM JHF	6690-UR-111 ----- 1-AC-166 -----	Application of Public Service to Increase Electric and Natural Gas (briefs due 10/29/99) (reply briefs due 11/8/99) USF Assessment for TEACH, UW & DPI) USF Rules FCC Comments for IN and NE, TN	Tr. Pgs 130 Exhibits 1-8
December 7 10:00 a.m.	AMB JPM JHF	835-WI-100	Petition of Town of Burke	
December 9 1:30 p.m.	AMB JPM JHF	5510-WR-102 ----- 9401-YI-102 2180-TI-131	Request to Reopen Slinger FCC Calls Proposal (comments) Petition of WICOR for Declaratory Ruling GTE Price Regulation (draft order)	
December 14 10:00 a.m.	AMB JPM JHF	4160-TV-100	Niagara/Florence Memorandum	

Meeting Date	Commissioners	Docket/File No.	Description	Transcript/Exhibits
December 16 1:30 p.m.	AMB JPM JHF	-----	Report to Joint Committee on Infrastructure	
December 21			NO MEETING SCHEDULED	
December 23			NO MEETING SCHEDULED	
December 28			NO MEETING SCHEDULED	
December 30			NO MEETING SCHEDULED	
January 4 10:00 a.m.	AMB JPM JHF			
January 6 1:30 p.m.	AMB JPM JHF			
January 11 10:00 a.m.	AMB JPM JHF			
January 13 1:30 p.m.	AMB JPM JHF			
January 18 10:00 a.m.	AMB JPM JHF			
January 20 1:30 p.m.	AMB JPM JHF	9401-YO-100/ 9402-YO-101	WICOR – Approval to Acquire Stock	Tr. 679 pgs. Ex. 1-30

Meeting Date	Commissioners	Docket/File No.	Description	Transcript/Exhibits
January 25 10:00 a.m.	AMB JPM JHF			
January 27 1:30 p.m.	AMB JPM JHF	05-CE-108	NO _x Emissions Requirements	Tr. 764 pgs. Ex. 1-41
February 1 10:00 a.m.	AMB JPM JHF			
February 3 1:30 p.m.	AMB JPM JHF			
February 8 10:00 a.m.	AMB JPM JHF			
February 10 1:30 p.m.	AMB JPM JHF			
February 15 10:00 a.m.	AMB JPM JHF			
February 17 1:30 p.m.	AMB JPM JHF			
February 22 10:00 a.m.	AMB JPM JHF			

Meeting Date	Commissioners	Docket/File No.	Description	Transcript/Exhibits
February 24 1:30 p.m.	AMB JPM JHF			
February 29 10:00 a.m.	AMB JPM JHF			
March 2 1:30 p.m.	AMB JPM JHF			
March 7 10:00 a.m.	AMB JPM JHF			
March 9 1:30 p.m.	AMB JPM JHF			
March 14 10:00 a.m.	AMB JPM JHF			
March 16 1:30 p.m.	AMB JPM JHF			
March 21 10:00 a.m.	AMB JPM JHF			
March 23 1:30 p.m.	AMB JPM JHF			

HIGHLIGHTED RECOMMENDATIONS

from the Report of
The Natural Gas Workgroup on Consumer Protection and Essential Services
(Docket 05-BG-100)

“The workgroup is making over fifty policy recommendations to the Commission within eight categories of protection: accessibility; affordability; health and safety; dispute resolution; consumer education; privacy and confidentiality of customer information; marketing practices; and market structure.

“These recommendations are viewed by the workgroup as a package that should be implemented in stages. For this purpose, the workgroup has organized its recommendations into four transitional phases (*pre-transition phase; transition phase; initial achievement of a restructured, effectively competitive market; and maintenance of a competitive market*).

“Many of these recommendations ask the Commission to take action soon, **before** Wisconsin consumers officially enter a transition phase when pilots and other experiments with competitive gas supply and Supplier of Last Resort policy expose them to new choices and risk.” [The Report: Page 4]

- **Continuation of Chapter 134 consumer protections throughout the restructuring process and after the market is declared competitive.**

These include: dispute resolution, fall reconnections, deposit requirements, deferred payment agreements, cold weather disconnections, availability of information to customers, and residential disconnections. Where applicable, these will need to be modified to include unregulated gas suppliers.

- Assurance that the **winter moratorium** will be maintained and extended to all suppliers.
- Assurance that all customers will have **access to natural gas and not be cut off from service.**

During the process of moving to a deregulated residential market, to ensure access to supply for those who cannot or will not choose their own supplier of natural gas, Local Distribution Companies should remain a supplier of last resort and should remain regulated. This means they should be required to provide supply to those individuals in their service area who have not picked their own, different supplier.

Pilot programs should be encouraged to identify different methodologies for providing access to low-income customers.

When deregulation takes place (and barring information from pilots to the contrary), all suppliers of gas services should take on supplier of last resort responsibility in the area they serve, in proportion to the amount of supply they provide in that area.

[OVER, PLEASE]

- Maintenance of **affordable energy**.

Local prices for gas supply service should be monitored and evaluated.

In the event monitoring indicates problems with prices, either decertification of individual suppliers or establishment of a public process to develop mechanisms to correct the problem should be undertaken.

Public Benefits should be passed and signed into law, as a prerequisite.

- Assurance that **consumer education** will take place before restructuring.

Statewide consumer education and information programs must be implemented; with development, funding sources and evaluation criteria identified prior to deregulation.

- Protection of **consumer privacy**.

- Regulation of **marketing practices** to ensure they are consistent and fair.

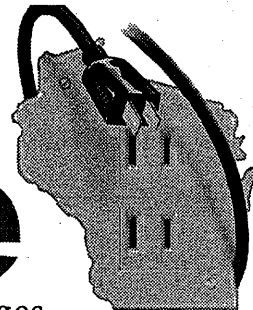
Clear standards for presentation of information on gas services and prices should be established.

Rules should be established to ensure that switches of suppliers only occur when authorized by the customer.

Prohibitions against undue discrimination on the basis of such factors as income, neighborhood and race should be established.

A Coalition
to Preserve
Wisconsin's
Reliable
and Affordable
Electricity

Customers First! the Wire



Plugging you in to electric industry changes

608.286.0784 P.O. Box 54 Madison, WI 53701 December 1999 • Vol. 4, No. 12

Bulking up is hard to do *Power line application filed*

After months of discussion, Wisconsin Public Service Corporation and Minnesota Power formally applied in November to build a 345-kilovolt transmission line linking Duluth and the WPS Weston generating plant between Wausau and Mosinee.

According to a company press release, approximately half the mileage of the proposed route is on existing right-of-way, while another 20 percent crosses public land owned by the State of Wisconsin, counties or local townships. On the other hand, both main routes proposed by the companies avoid crossing any land in the Nicolet and Chequamegon National Forests.

The Public Service Commission is expected to develop an environmental impact statement next spring, hold public hearings next summer, and issue a decision on the project and possible modifications by fall 2000. The applicants say construction of the \$125-\$175 million project will take two to three years, with completion in time to have an impact on system reliability by the peak demand season in 2003.

That is, if they are able to overcome some formidable political obstacles. Opposition to the project, underway long before the application was filed, has been organized and vocal. Some state lawmakers have expressed opposition. The Wisconsin Alliance of Cities and League of Municipalities have passed resolutions supporting the project, but at least eight county boards, all but one of those whose territory the line would pass through, are now on record against it. A web site operated by opponents lists more than 30 cities, towns and villages where local governments have passed resolutions against the line.

More than 100 protesters were bused to Madison the day before the application was filed to stage demonstrations at the PSC offices and at the Capitol. Opponents have been turning out for informational meetings sponsored by the applicants and holding public organizing sessions of their own.

Opponents raise a number of issues, including loss of property values, new generating plants as an alternative to transmission lines and claims that public health and safety would be threatened by the high voltage wires.

Prominent among arguments against the line is the charge that it will be used mainly to export power across Wisconsin to the Chicago market and points east, delivering little benefit to Wisconsin residents.

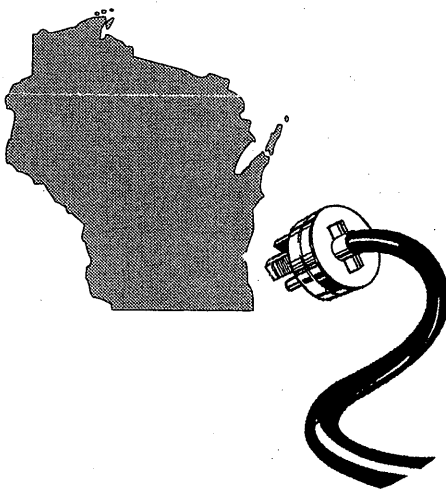
At the Madison demonstration, Richard Olson, attorney for the Wisconsin Industrial Energy Group, contended that northwest Wisconsin has the same energy deficiencies as the rest of the state.

Generating capacity in the northwest, he said, is far less than demand, and the deficit is made up through transmission lines crossing Minnesota, the Dakotas and heavily populated areas of central and southern Wisconsin.

Soon after the applications were filed in the second week of November, the PSC corrected an earlier report that 10,000 letters of protest against the project had been received by the agency. The real number was approximately 4,000, a spokesman said, attributing the error to double-counting of names stored in more than one database.

The same day the applications were filed, and despite demand so low that wholesale prices ranged below \$20 per megawatt hour, the *Bloomberg Daily Power Report* noted difficulty completing transactions due to transmission constraints on lines serving Wisconsin utilities. That day's problem was evidently confined within the Mid-America Interconnected Network (MAIN) serving primarily eastern Wisconsin, but since mid-May, Bloomberg has reported transmission difficulties on at least 29 separate days for MAIN, for the Mid-continent Area Power Pool serving northern and western parts of the state, or for both.

Olson, whose clients include approximately 30 of the state's largest electricity users, called reliability a pressing statewide problem requiring comprehensive statewide solutions.



THE WIRE is a monthly publication of the *Customers First! Coalition* — a broad-based alliance of local governments, small businesses and farmers, environmental groups, labor and consumer groups, retirees and low-income families, municipal electric utilities, rural electric cooperatives, wholesale suppliers and an investor-owned utility. *Customers First!* is a coalition dedicated to preserving Wisconsin's reliable and affordable electricity.

If you have any questions or comments about THE WIRE or the *Customers First! Coalition*, please call 888.960.4778.



SUNSET FOR SUNSHINE

The only power provider competing with incumbent utilities for Rhode Island residential customers will vacate the market by the end of the year, according to a report in *Restructuring Today*.

Sunshine Energy, a unit of the parent holding company of Florida Power and Light, says it can't afford to offer competitive prices in the Rhode Island market, where slightly more than four tenths of one percent of customers have switched from the main incumbent utilities since the state began opening retail access in 1997.

Ironically, the lack of competition appears to trace back to "deregulation" enthusiasts freezing out alternative suppliers by legislating a standard offer price of less than four cents per kilowatt-hour. Other suppliers, including energy marketing giant Enron Corp., (see story nearby) pulled out of the Rhode Island market earlier, citing inability to match the standard offer price.


Sunshine's customers — all 550 of them, according to *Restructuring Today* — will be handed to incumbent utility Narragansett Electric.

Meanwhile, just down the coast, a similarly rigged experiment was scheduled to begin in mid-November. New Jersey opened retail competition

November 14; under a law mandating an immediate five percent rate reduction and a second five percent cut within three years. Originally scheduled for August 1, retail access was delayed by regulators to give utilities more time to prepare computer systems for customer switching. Never mind that competition was pushed back three and a half months; the rate reductions customers were supposed to see springing forth from it kicked in right on schedule.

If regulators thought they could reduce rates without ruining the utilities and their ability to serve customers, what's their excuse for not getting on with it?

THE WIRE makes light of these things not because we object to customers paying lower utility bills, but because these particular rate reductions are so obviously contrived for the purpose of obscuring reality. If regulators thought they could reduce rates without ruining the utilities and their ability to serve customers, what's their excuse

for not getting on with it? What are we to make of rate cuts supposedly flowing from a new way of doing business, yet thrown into gear while the critical rest of the program is set aside for three months? There may be better evidence that the responsible policymakers lack serious ideas about a genuinely competitive industry, or that they fear the results of a true market experiment. But there's no need to let the wait for it interfere with other activities. 

Unicom-PECO: severe case of merger fever


In September, Unicom Corp., parent company of Chicago's Commonwealth Edison, announced plans to merge with Philadelphia's PECO Energy, in a move that would create the largest energy company in the United States.

That would probably be enough to occupy the attention of most corporate executives for a year or so, but in November, the heads of PECO and Unicom said they'll probably try to buy up additional energy companies even before their own deal is finalized and approved by regulators.

A November story in the *Philadelphia Inquirer* cited industry observers naming companies as large as Cinergy Corp. as "likely takeover targets."

Cincinnati-based Cinergy has service territory covering part of southwest Ohio, part of northern Kentucky and much of Indiana. (And of course those comments occurred prior to Wisconsin Energy's stock price hitting its recent string of 52-week lows.)

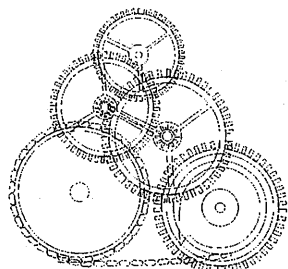
Illinois regulators aren't required to pass judgment on the Unicom-PECO deal, but Pennsylvania regulators are, and at the time, the documents necessary to start the ball rolling had not yet been filed.

Nevertheless, PECO's chairman told the *Inquirer* the new company would try to buy other utilities between Philadelphia and Chicago as soon as possible. 

Whoa!!!

New study sees two sides to restructuring

In a world overflowing with crafty people who can gin up a study proving just about



anything you want to say, it's refreshing to see an organization that supports electric deregulation frankly acknowledging

and confronting some of the practical challenges of industry redesign.

The National Center for Policy Analysis, which, make no mistake, wants deregulation as soon and as fully as it can be had, released a study this fall acknowledging that restructuring can just as easily increase electric rates as reduce them.

The NCPA maintains that substantial savings are available to small business and residential customers if market competition is introduced at the retail level, but also admits that the results haven't been very good in key states that have taken the plunge.

Readers of this newsletter will not be surprised to learn that California is cited as a particularly egregious example of restructuring gone wrong. The main problem there, the NCPA says, is that lawmakers did what they've shown a propensity for doing just about everywhere: they tried to make everyone feel like a winner. As their primary mechanism to implement this impossible dream, they chose mandatory rate reductions financed with bond issues that cost ratepayers more than their artificial savings.

Some of the ratepayers aren't too happy about this.

The NCPA concludes that customers will not benefit if restructuring delivers a more convoluted regulatory structure that freezes out competitive suppliers, leaving customers to deal with a less legitimate market than they have now. 💡

WEPCO A TAKEOVER TARGET?

There's only speculation so far, but a recent story in the *Milwaukee Business Journal* should probably not be taken lightly. In a multi-sourced, by-lined piece by reporter Pete Millard, the *Journal* suggests Wisconsin Energy matches the profile of a takeover candidate: a strong company with good assets and a low stock price.

Millard noted that Warren Buffet's Berkshire Hathaway is looking to acquire a Midwestern utility holding company — he's already in pursuit of Iowa's Mid-American Energy, the electricity provider for most Iowa customers of investor-owned utilities not served by the Alliant divisions — and the undervalued Wisconsin Energy fits the description of a target.

In addition to its stock price having recently hit a series of 52-week lows, analysts quoted in the *Business Journal* say Wisconsin Energy's proximity to Chicago and its exploratory moves into that huge market provide further attractions for investors who have the capital to put together large deals. 💡

It seemed like such a good idea...

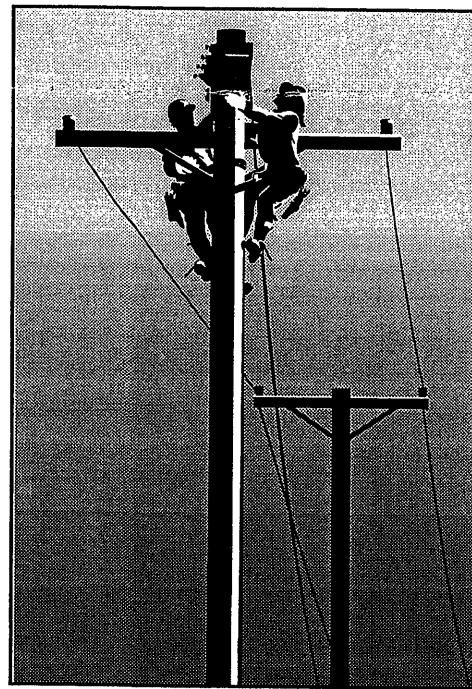
Houston-based Enron Corp., the giant natural gas and electricity marketer that pretty much started it all, is putting a new twist on the nationwide restructuring movement with a retreat from the utility business and a move onto the Internet.

Just three years ago, Enron paid more than \$2 billion for Portland General Electric, an investor-owned Oregon utility with some 700,000 customers. Now a disappointed Enron is selling Portland General at nearly the identical price to Reno, Nevada's Sierra Pacific Corporation. The move follows withdrawals last year from residential electricity sales in Massachusetts, Rhode Island and California, where Enron invested heavily — in California reportedly some \$30 million — to open and penetrate the retail markets.

But continuing losses in retail energy sales aren't deterring Enron from going where its restructuring efforts were probably headed anyway: at the beginning of this month, the company was scheduled to launch Enron Online, selling bulk electricity and natural gas over the Internet, commission-free, to utilities and other large-volume customers. There are many who have said all along that this, not a vigorous residential market, would be the inevitable result of restructuring.

Even that wouldn't necessarily be bad, provided residential customers don't wind up worse off because of it. But it's worth remembering that it was, after all, Enron that used to run those TV ads with all the rosy-cheeked residential customers gathered around the cracker barrel up in New Hampshire, looking like they'd be dropping by any minute to borrow a cup of electricity. And New Hampshire is yet another state where Enron dropped residential solicitations last year.

The rosy-cheeked residentials, in New Hampshire and elsewhere, were clearly the target audience for those ads, but not, one now supposes, because anyone was expecting to sell them much electricity. They were the target audience because it was necessary that they become enthused over something that wasn't really going to happen. Their function was to be the foot in the door. 💡






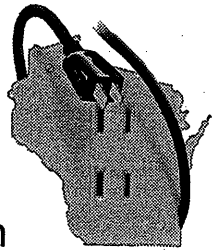
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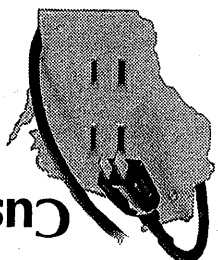
“When we get retail deregulation, that’s exactly what will happen; it will be just like the phone company.” — Don Carlson, energy supply and control manager, Wisconsin Public Service Corp., as quoted in the Fond du Lac Reporter’s FDL Inc. 

Help us share our messages with others. If you know of businesses or organizations that would like to learn more about protecting Wisconsin’s reliable and affordable electricity, please feel free to copy and share with them all or part of this newsletter, or contact Project Manager Nicole Johnston at 608.286.0784 to arrange an informational meeting.



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