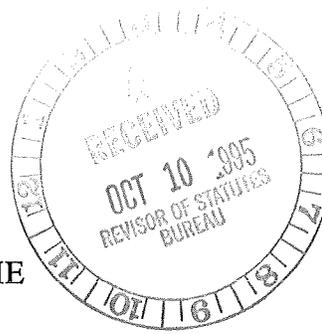


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OCT 10 1995
Lynda S. Davis
Secretary to the Commission
Public Service Commission of Wisconsin

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-141

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

To repeal and recreate Chapter PSC 112, Wis. Adm. Code, relating to rules concerning electric construction by public utilities requiring Commission review and approval under s. 196.49, Stats. and extensions of electric service under s. 196.495, Stats.

**ANALYSIS PREPARED BY THE
PUBLIC SERVICE COMMISSION OF WISCONSIN**

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

On August 26, 1993, the Public Service Commission began a rulemaking proceeding to update and revise ch. PSC 112, 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 the types of projects covered, those requiring approval are further defined by various monetary thresholds or limits based on the estimated cost of the project. These rules were last revised in 1979.

The principal reason for the proposed revision is to adjust the cost thresholds of the current rules to account for the effects of significant increases in construction costs from escalation and inflation that have occurred over the past 15 years. The utilities report that,

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based on the **Handy-Whitman Index of Public Utility Construction Costs**, electric construction costs have about doubled over this period. An addition to the rule provides a method to adjust the cost limits periodically to account for future changes in construction costs based on this industry cost index.

Other revisions involve changes for clarification and to incorporate or reflect definitions, interpretations and expanded informational needs that have evolved since the last revision.

In summary, the changes reflect a routine update of ch. PSC 112, Wis. Adm. Code, to accomplish the following:

1. Increase the cost thresholds of the current rules to adjust for the effects of escalation and inflation in construction costs that have occurred since the rules were last revised.
 2. Provide a method of adjusting the cost thresholds periodically to account for future changes in construction costs.
 3. Make other additions and revisions for clarification and to incorporate or reflect definitions, interpretations and expanded informational needs to clarify certain rules and their intended application.
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SECTION 1. Chapter PSC 112 is repealed and recreated to read:

Chapter PSC 112

**CONSTRUCTION BY ELECTRIC PUBLIC UTILITIES
AND EXTENSIONS OF ELECTRIC SERVICE**

PSC 112.01 APPLICATION OF RULES. (1) This chapter applies to proposed construction by any electric public utility, as defined in s. 196.01, Stats.

Note: Additional requirements relating to certificates for proposed large or bulk electric generating facilities of 12,000 kW or more nominal capacity, or a high-voltage transmission line with associated facilities exceeding one mile in length designed for operation at 100 kV or more, are included in ss. PSC 111.41 to 111.43, Wis. Adm. Code. These requirements apply for each "electric utility" as defined in s. PSC 111.04(6).

(2) Section PSC 112.08 applies to electric public utilities as defined in s. 196.01(1), Stats., and to electric cooperative associations.

PSC 112.02 DEFINITIONS. In this chapter:

(1) "Begin construction" means to make any physical modification to the site or physical modification to equipment at the site which would not be required if the proposed project were not approved.

(2) "Commission" means the public service commission.

(3) "Distribution system" means electric lines and associated facilities, designed and operated at less than 40 kV, that deliver power to customers.

(4) "Gross cost" means the total expenditures required to accomplish the purpose of the project. "Gross cost" does not include any credit for the value of salvaged facilities, but does include:

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(a) The cost of any removals or demolition of existing structures which may be required.

(b) Peripheral construction such as relaying or switching facilities made necessary at other system substations or terminations remote from the project area itself.

(c) Related operating and maintenance charges for building remodeling projects and replacements and modifications at generating plants.

(5) "kV" means kilovolt, or 1,000 volts.

(6) "kW" means kilowatt, or 1,000 watts.

(7) "Municipality" means a town, village, city, or county.

(8) "Transmission line" means an electric line, designed and operated at 40 kV or higher voltage.

(9) "Transmission system" means electric lines and associated facilities, designed and operated at 40 kV or higher voltage, that transmit power from generating plants to and between distribution systems.

PSC 112.03 NEW SERVICE IN A MUNICIPALITY. No electric utility may begin construction, install or place in operation any physical facilities for furnishing retail electric service in a municipality in which the utility has not rendered retail electric service, without the commission's prior approval under s. PSC 112.07.

PSC 112.04 INTERCONNECTION PROJECTS. No electric utility may begin construction, install or place in operation an initial interconnection with the transmission system of another electric utility, with which it has no existing transmission interconnections, without the commission's prior approval under s. PSC 112.07. Any subsequent interconnection by mutual agreement with the same electric utility does not require commission approval except as provided in s. PSC 112.05. The electric utility shall, however, report each subsequent interconnection to the commission at least 90 days before it begins construction. The report shall include a description of the project, its location, the estimated gross cost, and a discussion of the need. Electric utilities may, without commission authorization, establish temporary or emergency interconnections between their systems by mutual agreement, but shall promptly report such interconnections to the commission within 10 days of the date established and the date discontinued.

PSC 112.05 CONSTRUCTION OF ELECTRIC UTILITY FACILITIES. (1) No electric utility may begin construction, install or place in operation any of the following facilities whose estimated gross cost exceeds the applicable amount specified in sub. (3), without prior commission approval under s. PSC 112.07:

- (a) A generating plant or unit.
- (b) A replacement, modification or addition at a generating plant. This paragraph applies to projects or combinations of projects where the same replacement, modification or addition is known to be required at more than one unit at the same plant over a reasonably short period of time and the total cost of the combined work exceeds the applicable amount

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specified in sub. (3). This paragraph also applies to the initial construction of major new waste disposal facilities for the plant, even if not located at or adjacent to the existing plant site. This paragraph does not apply to replacements, modifications or repairs to a hydroelectric dam or related civil works to comply with dam safety or similar regulatory requirements, if the capacity or operation of the generating facilities is not significantly changed.

(c) A project for constructing or rebuilding a transmission line, including necessary terminations and related new substation or substation additions. This paragraph does not apply to the relocation or modification of a segment of an existing transmission line, if the utility is ordered to relocate or modify the line to accommodate highway or airport construction, nor to the reconstruction or restoration of a segment of an existing transmission line made necessary by storm damage.

(d) A new substation or switching station.

(e) An addition to or replacement at an existing substation or switching station.

(f) A distribution system extension, conversion to a higher voltage or conversion from overhead to underground construction.

(g) A new building or any addition to or remodeling of an existing building. This paragraph applies to the purchase of an existing building by a utility for conversion to utility use.

(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

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specified in sub. (3) without first filing a report under par. (b) and securing commission approval under par. (c).

(b) The utility shall file the report required under this subsection at least 90 days before it intends to begin construction or rebuilding. The report shall include a description of the project, its location and proposed route or routes, the estimated cost and a discussion of the need for the project.

(c) After reviewing the report, the commission may do any of the following:

1. Approve the project by acknowledging, in writing, receipt of the report and accepting it for filing.

2. Direct, in writing, that the project shall not proceed until specific approval is granted under s. 196.49, Stats.

3. Approve the project by taking no action within 90 days of receiving the utility's written report.

(d) This subsection does not apply to a project that requires a certificate of public convenience and necessity under s. 196.491(3), Stats.

(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. 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, installation or operation.

(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, any project whose estimated gross cost exceeds \$50,000.

2. If the applicant electric utility's prior year electric operating revenues are between \$2,500,000 and \$150,000,000, 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, any project whose estimated gross cost exceeds \$3,000,000.

(b) Beginning in 1996, and on May 1 of each successive even-numbered year, the commission shall adjust the estimated gross cost thresholds in par. (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. The commission shall make the adjustment calculation by multiplying each gross cost threshold in par. (a) by the ratio of the cost index number of January 1 of the most recent even-numbered year (numerator) to the cost index number of January 1, 1994 (denominator). The commission shall notify all electric utilities of the resulting adjusted cost limits by

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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.

Note: The commission maintains or has access to the Handy-Whitman Index of Public Utility Construction Costs and this reference or a copy may be reviewed by contacting the commission's offices.

PSC 112.06 APPLICATIONS FOR COMMISSION AUTHORIZATION. (1) An electric utility seeking authorization from the commission for a project under ss. PSC 112.03, 112.04 or 112.05 shall submit an application to the commission including all of the following, where applicable:

Note: Section PSC 111.42 prescribes the contents of an application for commission approval to construct, install or place in operation a bulk or large electric generating facility and s. PSC 111.43 prescribes the contents of an application for commission approval to construct, install or place in operation a high-voltage transmission line, including related substation construction.

- (a) A description of the project, including:
 1. Facility design, size, capacity and voltage.
 2. Line design, size and material.
 3. Line length and right-of-way width required.
 4. The size of the plant's or site's developed area.
 5. The approximate construction schedule.
- (b) The gross cost and proposed method of financing the project.
- (c) The purpose and necessity of the project with supporting data.

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(d) The effect of the project on cost of operation and on the quality and reliability of service.

(e) A description of and the cost of any property being replaced.

(f) A description of and the gross cost of alternative methods, locations or routes which the electric utility considered for accomplishing the purpose of the project with a statement of the reasons for rejecting these alternatives.

(g) Environmental information including, where applicable:

1. A map or drawing of the affected part of the existing electric system clearly showing the location of the proposed sites or routes of the proposed facilities and any alternate sites or routes considered.

2. The proximity to designated flood plains or flood prone areas.

3. For facilities that produce magnetic fields, including lines and substations, estimates of magnetic field strengths near the facility and the proximity of the site or route to nearby residences, work places, hospitals, nursing homes, schools, day care centers, parks and playgrounds.

4. Information concerning applicable environmental factors for affected lands, such as land use or zoning, forest lands, rivers, streams, wetlands, endangered or threatened species and historical or archaeological resources.

5. A listing of permits or approvals required by other units of government.

6. Any other environmental screening information that the commission staff requests.

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(h) For building projects, information on energy efficiency or conservation features, including:

1. The whole building heat loss in Btu/square foot of the building envelope.
2. The type and R-value of insulating material used for walls, ceilings, roofs, doors and windows.
3. The type of heating and cooling system selected and the annual end-use energy estimate in Btu/square foot/year for space heating, space cooling, and any process use.
4. The type and source of fuel or fuels selected.
5. The type of lighting system selected and the annual end-use energy estimate for lighting.

(i) A designation of public utilities, municipalities, cooperative associations and others principally affected by the project and a statement as to which, if any, the applicant has notified.

(j) Any other information necessary to understand the project or information requested by the commission staff.

(2) The applicant shall file an original and two copies of each application. If the commission notifies the applicant that additional copies are required, the applicant shall promptly furnish them. If the original filing contains special material, such as commercial maps and aerial photographs, any required additional copies of the application may contain photocopies or other reproductions of these special materials.

PSC 112.07 PROCESSING OF APPLICATIONS BY THE COMMISSION. (1)

If upon consideration of the application, together with any supplemental information and objections, the commission finds that the public convenience and necessity require the project as proposed and the project complies with s. 196.49(3)(b), Stats., the commission may authorize the project without public hearing but with modifications and conditions it considers necessary.

(2) Except as provided in sub. (1), the commission shall hold a public hearing on the application and grant or deny the application, in whole or in part, subject to any conditions the commission finds are necessary to protect the public interest or promote the public convenience and necessity.

PSC 112.08 EXTENSIONS OF ELECTRIC SERVICE UNDER S. 196.495, STATS.

(1) In addition to any other conditions established by law or commission order, the measurement of an extension's length under s. 196.495 (1)(b), Stats., shall be from an existing local service distribution line that is, or has been, actually used in rendering local service to a customer. A street light or security light is not a principal building or facility under s. 196.495(1)(b), Stats.

(2) The commission shall enforce any written territorial agreement filed by two utilities, a utility and a cooperative association, or two cooperative associations to avoid duplication of facilities, if:

(a) The agreement governs the extension of electric distribution lines and the right to serve customers; and

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(b) The commission has approved the agreement as being in the public interest.

SECTION 2. EFFECTIVE DATE. This rule shall take effect on the first day of the month following publication in the Wisconsin Administrative Register, as provided in s. 227.22(2) (intro.), Stats.

Dated at Madison, Wisconsin, October 10, 1995

By the Commission.

Cheryl A. Paine for LLD
Lynda L. Dorr
Secretary to the Commission

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