

PUBLIC SERVICE COMMISSION

| Budget Summary | | | | | | | |
|-----------------------|------------------------------|----------------------|------------------------|--------------------------|----------------|---------------------|--------------|
| Fund | 2018-19 Base Year Doubled | 2019-21 Governor | 2019-21 Jt. Finance | Joint Finance Change to: | | | |
| | | | | Governor | | Base | |
| | | | | Amount | Percent | Amount | Percent |
| GPR | \$0 | \$50,400,000 | \$0 | - \$50,400,000 | - 100.0% | \$0 | N.A. |
| FED | 5,430,600 | 2,621,600 | 5,598,500 | 2,976,900 | 113.6 | 167,900 | 3.1% |
| PR | 40,044,200 | 41,174,400 | 40,650,700 | - 523,700 | - 1.3 | 606,500 | 1.5 |
| SEG | <u>13,055,800</u> | <u>37,210,800</u> | <u>57,010,800</u> | <u>19,800,000</u> | 53.2 | <u>43,955,000</u> | 336.7 |
| TOTAL | \$58,530,600 | \$131,406,800 | \$103,260,000 | - \$28,146,800 | - 21.4% | \$44,729,400 | 76.4% |

| FTE Position Summary | | | | | |
|-----------------------------|---------------|---------------------|------------------------|--------------------------|--------------|
| Fund | 2018-19 Base | 2020-21 Governor | 2020-21 Jt. Finance | Joint Finance Change to: | |
| | | | | Governor | 2018-19 Base |
| FED | 10.25 | 5.25 | 10.25 | 5.00 | 0.00 |
| PR | 139.00 | 140.00 | 139.00 | - 1.00 | 0.00 |
| SEG | <u>4.00</u> | <u>4.00</u> | <u>4.00</u> | <u>0.00</u> | <u>0.00</u> |
| TOTAL | 153.25 | 149.25 | 153.25 | 4.00 | 0.00 |

Budget Change Items

Broadband Provisions

1. BROADBAND EXPANSION GRANT PROGRAM [LFB Paper 610]

| | Governor | | Jt. Finance | | Net Change | |
|--------------|--------------------------|-------------|--------------------------|---------------|--------------------------|-------------|
| | (Chg. to Base) | | (Chg. to Gov) | | Funding Positions | |
| | Funding Positions | | Funding Positions | | Funding Positions | |
| SEG-Transfer | \$24,200,000 | | \$19,800,000 | | \$44,000,000 | |
| GPR | \$50,400,000 | 0.00 | - \$50,400,000 | 0.00 | \$0 | 0.00 |
| PR | 123,700 | 1.00 | - 123,700 | - 1.00 | 0 | 0.00 |
| SEG | <u>24,200,000</u> | <u>0.00</u> | <u>19,800,000</u> | <u>0.00</u> | <u>44,000,000</u> | <u>0.00</u> |
| Total | \$74,723,700 | 1.00 | - \$30,723,700 | - 1.00 | \$44,000,000 | 0.00 |

Governor: Create a biennial appropriation and provide \$30,400,000 GPR in 2019-20 and \$20,000,000 GPR in 2020-21 for the Public Service Commission's (PSC) broadband expansion grant program. Further, transfer \$6,900,000 FED in 2019-20 and \$17,300,000 FED in 2020-21 from the Department of Administration's (DOA) federal e-rate aid appropriation to the segregated universal service fund (USF) and increase the USF SEG continuing appropriation for the broadband expansion grant program by the same amount. Additionally, provide \$53,000 PR in 2019-20 and \$70,700 PR in 2020-21 with 1.0 position in the Commission's State Broadband Office to assist in administering the grant program.

Under the bill, total budgeted GPR and SEG expenditures for the broadband expansion grant program are \$37.3 million each year of the biennium. The bill would create base funding of \$40 million GPR per biennium. Additional amounts may become available for broadband expansion grant awards during the biennium, as current law requires unexpended amounts from other USF appropriations to be transferred to the broadband expansion grant appropriation.

Created in 2013, the broadband expansion grant program provides grants for projects that increase broadband access and capacity in underserved areas of the state. Since its inception through 2018-19, the program has awarded \$20.2 million in grants to 143 projects. As discussed in another item, the Governor's recommendations would revise the definition of unserved and underserved areas of broadband service, which would modify eligibility for and prioritization of broadband expansion grant awards.

Federal e-rate aid generally supports funding to schools, libraries, and other educational entities to provide affordable access to telecommunications service. As of June 30, 2018, the balance of the federal e-rate continuing appropriation was \$28.8 million. [For further information on changes to e-rate, see "Administration -- General Agency Provisions."]

Joint Finance: Increase the transfer to the USF from DOA's federal e-rate aid appropriation to \$22,000,000 FED each year of the biennium for broadband expansion grants. Budget USF SEG-funded broadband expansion grants at the same amount each year. Delete the Governor's proposed GPR funding for broadband expansion grants, as well as the 1.0 PR position and associated funding.

2. DEFINITION OF BROADBAND [LFB Paper 610]

Governor: Modify the definitions of unserved and underserved broadband areas for the purposes of awarding grants under the broadband expansion grant program. Define unserved areas as those in which households or businesses lack access to broadband service of at least 10 megabits per second (Mbps) download speed and 1 Mbps upload speed. Define underserved areas as those in which households or businesses lack access to broadband service of at least 25 Mbps download speed and 3 Mbps upload speed.

The bill definition for an underserved area would adopt the current Federal Communications Commission (FCC) minimum speed benchmark for service to be considered high-speed broadband. Federal law requires the FCC and state telecommunications agencies to encourage the nationwide deployment of such high-speed broadband capabilities. Similarly, state statutes require

PSC to make broadband expansion grants to unserved and underserved areas and to encourage the development of broadband infrastructure in underserved areas. Under current law, underserved areas are defined as those served by fewer than two broadband service providers. Unserved areas are defined as those without a fixed wireless or wired internet service of at least 5 Mbps download speed and 0.6 Mbps upload speed, or 20% of the benchmark speed set by the FCC.

In an errata item, the administration indicated it intended to additionally define: (a) underserved areas as lacking access to at least two providers and speeds of at least 25 Mbps download speed and 3 Mbps upload speed; and (b) broadband as either fixed wireless or wired service.

Joint Finance: Delete provision.

3. MUNICIPAL BROADBAND FACILITIES IN UNDERSERVED OR UNSERVED AREAS

Governor: Modify the current law provisions relating to the municipal broadband facilities to create separate requirements for broadband facilities that are intended to serve an underserved or unserved area. (The provision would adopt amended definitions for unserved and underserved areas created under the bill and described in the previous item.)

Under current law, no city, village, or town may enact an ordinance or adopt a resolution authorizing the municipality to construct, own, or operate any facility for providing video service, telecommunications service, or broadband service to the public unless certain public hearing, notice, revenue and cost reporting, and cost-benefit analysis requirements are met. Specifically, municipalities are to provide personnel costs and costs of acquiring, installing, maintaining, repairing, or operating any plant or equipment. Additionally, municipalities are to include an appropriate allocated portion of costs of personnel, plant, or equipment that are used to provide jointly both telecommunications services and other services. The bill would specify that a municipal broadband facility that serves an underserved or unserved area would not have to provide information on these specific costs.

Also under current law, the public hearing, notice, revenue, and cost reporting requirements do not apply to cases in which the municipality in writing solicits responses from area broadband providers as to whether the provider offers service in the municipality's boundaries, or intends to offer service in the area within nine months, and one of the following occurs: (a) no persons respond to the municipality's request within 60 days; (b) all respondents who purport to offer service are found not to offer service; or (c) a person intending to offer service within nine months does not meet such a time limit. The bill would specify: (a) for unserved or underserved areas, a provider would have to expect to offer service within three months; and (b) a person must actively plan to offer service within either the nine- or three-month limit.

Further, current law provides public hearing, notice, revenue, and cost reporting requirements are not required for a broadband service facility if the following apply: (a) the municipality itself does not use the facility to provide service to end users; and (b) the municipality determines at the time the facility is authorized that the facility does not compete with more than

one broadband service provider. The bill would amend the provisions to specify facilities intended for unserved or underserved areas would not have to meet these requirements. The bill would not change a requirement that a municipality must offer use of the facility on a nondiscriminatory basis to persons who provide broadband service to end users of the service.

Joint Finance: Delete provision.

4. STATE BROADBAND ACCESS GOAL

Governor: Establish a goal that by January 1, 2025, all businesses and homes in the state have access to broadband service with at least 25 megabits per second (Mbps) download speed and 3 Mbps upload speed.

Joint Finance: Delete provision.

5. BROADBAND REPORT

Governor: Require PSC and DOA jointly to submit a report to the Governor and Legislature by June 30, 2020, that provides: (a) updates on emerging broadband technologies and how they can be used to provide broadband to state residents; (b) recommendations on how to provide incentives to providers of broadband to provide service to unserved or underserved areas of the state; and (c) proposals on how state resources may be leveraged to provide service to underserved or unserved areas of the state. The provision would adopt amended definitions for unserved areas and underserved areas created under the bill and described in a separate item.

Joint Finance: Delete provision.

Departmentwide and Energy Programs

1. STANDARD BUDGET ADJUSTMENTS

Governor/Joint Finance: Provide adjustments to the agency base budget for the following: (a) reductions for staff turnover (-\$263,500 PR annually); (b) full funding of continuing position salaries and fringe benefits (\$338,700 PR, \$82,400 FED, and -\$22,500 SEG annually); (c) reclassifications and semi-automatic pay progression (\$13,200 PR annually); and (d) full funding of lease and directed moves costs (\$90,300 PR in 2019-20 and \$111,400 PR in 2020-21, and \$1,400 FED in 2019-20 and \$1,700 FED in 2020-21).

| | |
|-------|-----------------|
| PR | \$378,500 |
| FED | 167,900 |
| SEG | <u>- 45,000</u> |
| Total | \$501,400 |

2. UTILITY CONTRIBUTION FOR ENERGY EFFICIENCY AND RENEWABLE RESOURCE PROGRAMS

Governor: Specify that PSC may require energy utilities to spend more than 1.2% of annual operating revenues to fund statewide energy efficiency and renewable resource programs, known as Focus on Energy, subject to review and approval by the Joint Committee on Finance (JFC). Specify that, within 10 working days of submittal of the proposal, the JFC Co-chairpersons must notify the Commission they have scheduled a meeting to review the proposal, or the proposal would be approved. If the Co-chairpersons of JFC notify the Commission of a scheduled meeting, specify that JFC would have 90 days to reject the proposal, or PSC could implement it. Specify that during the 90-day period, the Committee could also approve the proposal, which would allow for its immediate implementation.

2011 Wisconsin Act 32 repealed PSC's authority to require utilities, subject to JFC approval, to contribute more than 1.2% of operating revenues for the purposes of energy efficiency and renewable resource programs. In December, 2010, JFC voted to require contribution levels of \$120 million in 2011 (an estimated 1.5% of operating revenues), \$160 million in 2012 (1.9%), \$204 million in 2013 (2.5%), and \$256 million in 2014 (3.2%). Act 32 subsequently reverted these increased contribution levels, limiting contributions to 1.2%.

The Focus on Energy program provides incentives, technical resources, and information to help residential and business customers reduce energy consumption through conservation and energy efficiency practices. PSC reports that in 2017, approximately 992,000 homeowners and businesses participated in the program, which had expenditures of \$101.8 million.

Joint Finance: Delete provision.

3. INTERVENOR COMPENSATION [LFB Paper 615]

| | Governor (Chg. to Base) | Jt. Finance (Chg. to Gov) | Net Change |
|----|------------------------------------|--------------------------------------|-------------------|
| PR | \$600,000 | - \$400,000 | \$200,000 |

Governor: Provide an additional \$300,000 each year for intervenor compensation, for a total of \$1,042,500 each year of the biennium. Further, increase the Commission's authorization to award, from this amount, grants to nonstock, nonprofit corporations that have a history of advocating on behalf of residential ratepayers for affordable rates from a total of \$300,000 annually to \$500,000 annually. Only one recipient, the Citizens Utility Board, has received funding under this authorization since its inception under 2009 Wisconsin Act 383.

The intervenor compensation program provides financial assistance to organizations and individuals who choose to become an intervenor for a Commission proceeding. When organizations or individuals have been granted intervenor status, they may submit testimony and exhibits at hearings, which become part of the record considered by the Commission in making decisions. Generally, intervenors use the compensation to pay for expert witnesses. Financing is

funded through assessments on utilities, typically the utility involved in the proceeding, and budgeted as PR. The intervenor compensation appropriation level serves as a limit on intervenor expenditures, and the PSC does not assess for expenditures that do not occur.

Joint Finance: Provide an additional \$100,000 PR each year for intervenor compensation rather than the recommended \$300,000. Delete the Governor's proposal to increase the Commission's authorization to award grants to nonstock, nonprofit corporations that advocate on behalf of residential ratepayers. Intervenor compensation would be budgeted at \$842,500 each year.

4. TRANSFER OFFICE OF ENERGY INNOVATION DUTIES TO THE DEPARTMENT OF ADMINISTRATION

| | Governor (Chg. to Base) | Jt. Finance (Chg. to Gov) | Net Change |
|-----|------------------------------------|--------------------------------------|-------------------|
| FED | -\$2,976,900 | \$2,976,900 | \$0 |

Governor: Transfer \$1,275,800 in 2019-20 and \$1,701,100 in 2020-21 with 5.0 positions associated with the PSC Office of Energy Innovation (OEI) to DOA to create the Office of Sustainability and Clean Energy (OSCE). Specify that the transfer will occur on the effective date of the bill, or October 1, 2019, whichever is later.

Provide that transferred positions will retain their incumbent employees, as determined by the DOA Secretary, and those employees' rights and status. In addition to positions and funding, specify that all assets, liabilities, tangible personal property, records, pending matters, contracts and their obligations, and rules and orders, as determined by the DOA Secretary, transfer to OSCE. Specify that transfers associated with this provision exclude any elements primarily relating to PSC's Focus on Energy program, which is managed by OEI.

Re-number statutes related to responsibilities of OEI from Chapter 196 to Chapter 16, to reflect transfer of those duties to OSCE in DOA. Transferred duties include: (a) collection, analysis, interpretation, and maintenance of data for state energy planning and review by the Legislature and Governor; (b) administration of federal energy grants; and (c) preparation and maintenance of contingency plans for responding to energy shortages in consultation with PSC. Require PSC to consult with OSCE on issues relating to provision of technical assistance to local units of government and schools for the purposes of planning and implementation of energy efficiency and renewable resources programs. [For further information on the creation and duties of OSCE, see the entry under "Administration -- Housing and Energy."]

OEI was created from a transfer of State Energy Office duties from DOA to PSC under 2015 Wisconsin Act 55. OEI provides assistance to residents, businesses, and local governments to increase investment in renewable energy and energy efficiency projects. OEI projects include, among others: (a) Focus on Energy, a statewide program supported by energy utility revenues that provides incentives, technical resources, and information to residential and business customers to reduce energy consumption; (b) increasing utilization of ethanol in motor vehicle fuel; (c)

providing grants to local governments, school districts, and manufacturers to support investment in renewable energy and energy efficiency; (d) collaborating with local governments and schools to implement renewable energy and energy efficiency programs; and (e) collecting and reporting energy statistics.

Joint Finance: Delete provision.

5. TRANSFER ADMINISTRATION OF HIGH-VOLTAGE IMPACT FEES

Governor: Transfer administration of one-time environmental impact fees and annual impact fees paid by persons granted certificates of public convenience and necessity for construction and operation of high-voltage transmission lines from DOA to PSC. [See "Administration -- Transfers."]

Under current law, owners of high-voltage transmission lines make a one-time payment equal to 5% of the cost of the transmission line, and annual payments equal to 0.3% of the cost of the transmission line to DOA, which then distributes the amounts in a proportional manner to local governments affected by the transmission line.

Joint Finance: Delete provision.

6. OFFICE OF THE COMMISSIONER OF RAILROADS SUPPLIES AND SERVICES INCREASE

| | |
|----|----------|
| PR | \$28,000 |
|----|----------|

Governor/Joint Finance: Provide \$14,000 annually to the Office of the Commissioner of Railroads for supplies and services costs. Increased funding is intended to cover costs previously absorbed by the Commission, but now directly allocated to the Office. These costs include rent, information technology, and other office expenses. The Office of the Commissioner of Railroads serves as a quasi-judicial agency responsible primarily for overseeing 4,300 rail-highway crossings in Wisconsin, and is administratively attached to PSC.

7. STATE CARBON-FREE ELECTRICITY GOAL

Governor: Establish a goal that all electricity produced within the state be 100% carbon-free by January 1, 2050. No definition of carbon-free is provided in the bill.

Joint Finance: Delete provision.

8. WHOLESALE MERCHANT PLANT CONTRACT LIMIT

Joint Finance: Delete the three-year contract limit for sale of wholesale electricity on an ongoing and uninterruptible basis by a merchant plant that has a financial interest in a utility to that utility. Utilities would still be required to receive approval from the Commission to operate a wholesale merchant plant and the Commission would retain the authority to regulate sale of electricity by a wholesale merchant plant to a utility.