

# Public Service Commission

## Departmentwide and Utility Regulation

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### LFB Summary Items for Which an Issue Paper Has Been Prepared

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3	Cybersecurity Positions (Paper #665)
4	Engineering Modeling Software (Paper #666)

### LFB Summary Items Removed From Budget Consideration

<u>Item #</u>	<u>Title</u>
2	Water Utility Training and Data Reporting
5	Focus on Energy Contribution Rate and Energy Efficiency Programs
6	Lead Service Line Grant Assistance
7	Low-Income Advocate Intervenor Compensation
8	Equity Officer Position
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10	State Operations Adjustments
11	Transfer Transmission of High-Voltage Impact Fees
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13	Social Cost of Carbon
14	Financing for Retirement of Nonrenewable Generating Facilities
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### LFB Summary Item Addressed in Standard Budget Adjustments (Paper #105)

<u>Item #</u>	<u>Title</u>
1	Standard Budget Adjustments





## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873  
Email: [fiscal.bureau@legis.wisconsin.gov](mailto:fiscal.bureau@legis.wisconsin.gov) • Website: <http://legis.wisconsin.gov/lfb>

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June 1, 2023

Joint Committee on Finance

Paper #665

### **Cybersecurity Positions (Public Service Commission -- Departmentwide and Utility Regulation)**

[LFB 2023-25 Budget Summary: Page 520, #3]

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#### **CURRENT LAW**

The Division of Business Operations and Office Management within the Public Service Commission (PSC) is responsible for human resources and personnel management, budget and financial management, information technology, records management, staff development, space acquisition, and facilities development. Within the Division is the Office of Business and Information Technology (IT) Services. The Office of Business and IT Services contains 12.0 positions, and is responsible for managing, developing, and maintaining all of PSC's applications, databases, data warehouses, and reporting tools.

#### **DISCUSSION POINTS**

1. The National Institute of Standards and Technology (NIST) developed NIST 800-53, a set of guidelines to help federal agencies in the U.S. manage and secure their information systems and infrastructure, in September, 2020. NIST 800-53 guidelines are designed to help organizations protect their information and information systems from a variety of threats, such as cyberattacks, natural disasters, and human error. While NIST 800-53 was designed for federal agencies, it is a widely recognized standard for cybersecurity. PSC reports that the agency is working towards complying with NIST 800-53 standards, and reviewing current agency inventory and baseline configurations of all servers, applications, computers, and mobile devices.

2. In addition to NIST, in 2018, the U.S. Department of Energy (DOE) released a Multiyear Plan for Energy Cybersecurity and established an Office of Cybersecurity, Energy Security, and Emergency Response (CESER). DOE reports that the United States' energy infrastructure has become a target for cyberattacks in recent years, stating that cyberattacks have the potential to disrupt energy

services, damage highly-specialized equipment, and threaten human health and safety. The multiyear plan outlines strategies for improving cybersecurity nationwide and improving the resilience of the nation's energy system by: (a) strengthening energy sector cybersecurity preparedness; (b) coordinating cyber incident response and recovery; and (c) accelerating research and development of resilient energy delivery systems. In the plan, DOE calls upon state and local governments to be included in cybersecurity planning and response efforts.

3. PSC has identified cybersecurity as an agency focus in its latest Strategic Energy Assessment (SEA), covering the period between 2022 and 2028. PSC reports that Commission staff have participated in cybersecurity training to identify information-sharing mechanisms and define roles and responsibilities during potential cyber incidents. In September, 2020, Commission staff participated in cybersecurity training provided by the National Association of Regulatory Utility Commissioners (NARUC), focusing on managing cybersecurity risk within the NIST 800-53 framework. Additionally, in December, 2020, Wisconsin was one of four states to participate in DOE's CESER Liberty Eclipse exercise to support the Multiyear Plan for Energy Cybersecurity.

4. Assembly Bill 43/Senate Bill 70 would provide \$173,400 in 2023-24 and \$222,500 in 2024-25 with 2.0 positions in the Division of Business Operations and Office Management for supporting cybersecurity activities at PSC. PSC contends that the positions are necessary to comply with national cybersecurity standards, to improve overall cybersecurity status, and to improve PSC's ability to respond and recover from cybersecurity incidents.

5. One requested position would be dedicated to bringing cybersecurity perspectives to management of existing business processes, software development, and project management. Primary duties would include: (a) analyzing, documenting, and modeling relevant business processes to ensure alignment with NIST 800-53 standards; and (b) acting as a liaison with businesses and stakeholders in addressing cybersecurity risks and challenges for all IT projects. The second position would focus on cybersecurity risk mitigation support and primary duties would include: (a) supporting PhishNotify, the Commission's email phishing detection and quarantine software; (b) building and deploying phishing exercises; and (c) building and conducting incident response exercises.

6. PSC contends that 2.0 positions would fill ongoing needs in two distinct areas: (a) cybersecurity compliance in business processes and development; and (b) cybersecurity awareness and training. PSC states that having 2.0 positions dedicated to cybersecurity would also ensure sufficient resources to train additional employees in cybersecurity practices.

7. PSC intends with additional positions to control agency information more strictly by classifying and labeling information assets throughout the agency. PSC contends that this will impact document management systems, data warehouses, reporting infrastructure, applications and all system users. Due to the adoption of NIST 800-53 standards, PSC must implement specific controls for ensuring confidentiality and availability of systems, which PSC estimates could take significant time and effort.

8. Given the prevalence of cybersecurity concerns on the national and state level and PSC's intended efforts to improve cybersecurity in Wisconsin, the Committee could consider providing 2.0 positions to the agency [Alternative 1]. If the Committee determined that 1.0 position could be

sufficient to address cybersecurity goals outlined by PSC, the Committee could instead choose to provide 1.0 position [Alternative 2]. The Committee could also choose to take no action [Alternative 3].

**ALTERNATIVES**

1. Provide \$173,400 PR in 2023-24 and \$222,500 in 2024-25 and 2.0 positions in PSC's Office of Business and Information Technology Services to support cybersecurity activities.

<b>ALT 1</b>	<b>Change to Base</b>	
	<b>Funding</b>	<b>Positions</b>
PR	\$395,900	2.00

2. Provide \$86,700 PR in 2023-24 and \$111,300 in 2024-25 and 1.0 position in PSC's Office of Business and Information Technology Services to support cybersecurity activities.

<b>ALT 2</b>	<b>Change to Base</b>	
	<b>Funding</b>	<b>Positions</b>
PR	\$198,000	1.00

3. Take no action.

Prepared by: Margo Poelstra





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One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873  
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June 1, 2023

Joint Committee on Finance

Paper #666

### **Engineering Modeling Software (Public Service Commission -- Departmentwide and Utility Regulation)**

[LFB 2023-25 Budget Summary: Page 520, #4]

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#### **CURRENT LAW**

The Public Service Commission (PSC) is responsible for verifying modeling data from utilities and independent service operators (ISOs) for generation, transmission, and economic planning. PSC's Office of Regional Markets (ORM) monitors state participation in the regional transmission system operated by the Midcontinent Independent System Operator (MISO), which operates the electric grid in Wisconsin and throughout the central United States. ORM represents the interests of Wisconsin ratepayers and utilities in ensuring: (a) the reliability of Wisconsin's electric system; (b) adequate electric transmission lines and generation; and (c) the fair and efficient operation of MISO.

PSC also provides certificates of authority (CA) and certificates of public convenience of necessity (CPCN) under s. 196.49 of the statutes to utilities for various construction projects. Utilities must provide applications with analysis of project needs, costs, and impacts to PSC in order to receive approval to begin a project. PSC reviews applications from utilities for: (a) transmission line construction projects; (b) electric power plant construction projects; (c) municipal electric utility construction projects; (d) natural gas pipeline construction projects; and (e) electric substation construction projects.

#### **DISCUSSION POINTS**

1. PSC reports that several Wisconsin utilities have begun using newer and more complex modeling software to analyze their needs, create projects, and submit applications. The software utilities are using combines generation, transmission planning, and economic analysis into one platform. During application review, PSC staff typically run their own models based on files

submitted by an applicant to verify input assumptions and other decisions made by an applicant in their analysis. PSC reports that as utilities have begun using more sophisticated software, the state analysis to verify proposed projects is limited by comparison.

2. PSC contends that in order to effectively review and analyze applications for projects, staff needs access to software with the same capabilities as software that was used to create any given application. Assembly Bill 43/Senate Bill 70 would provide \$170,000 each year in ongoing budget authority for licensing and associated costs of advanced engineering modeling software. Software would also be used to review long-term transmission planning projects and resource shifts to renewable energy or battery systems, and to perform independent studies. Funding would be provided from the PSC's general utility regulation program revenue (PR) appropriation, which is funded from assessments on regulated utilities generally proportional to their gross revenues.

3. PSC reports that new software will be important for long-range transmission planning and monitoring resource shifts. Long-range transmission refers to transmission of electricity over long distances, using high-capacity lines typically spanning hundreds of miles or more. It is an essential component of the electric power grid, allowing electricity to be transported from areas where it is generated, including remote wind farms or hydroelectric power plants, to more populated areas. The goal of long-range transmission planning is to ensure that the transmission system can reliably and efficiently deliver electricity, while minimizing the costs and environmental impacts associated with building and operating transmission infrastructure.

4. Currently, long-range transmission analysis is performed by MISO, for the entire MISO region covering most of the central United States and parts of Canada. The analysis done by MISO does not address engineering, economics, or alternative analysis for Wisconsin individually, but rather assesses the entire region as one. PSC would use new software to identify costs and benefits of long-range transmission projects specific to Wisconsin residents.

5. In addition to using software to review applications, PSC states that software will be used to perform independent studies. As an example, PSC states updated software would improve Commission staff analysis of the accuracy of renewable resource models, allowing staff to better estimate the impacts of renewable energy and its effect on grid operation as these types of projects are increasingly pursued by utilities. In addition to renewable energy studies, PSC anticipates software may be used for creating other models for the Strategic Energy Assessment or studying electric vehicle impacts.

6. Given PSC reports that staff are unable to most effectively review project applications using currently available software, and given the other potential uses of software for analyzing renewable resource use in Wisconsin, the Committee could consider authorizing \$170,000 PR in each year of the 2023-25 biennium for new software [Alternative 1].

7. In general, PSC costs related to regulation of utilities subject to PSC jurisdiction are passed on as assessments on those utilities, which in turn pass those costs on as a component of rates paid by customers for utility service. PSC allocates general operating costs as assessments on all utilities regulated by PSC in proportion to their gross revenues. PSC operations are funded almost entirely from these general assessments, which are collected as program revenue. PSC is authorized



\$16.2 million annually under Committee action to date for utility regulation in each year of the 2023-25 biennium.

8. As a program revenue appropriation, the amounts in the schedule of appropriations for utility regulation represent a cap on authorized expenditures for that purpose. PSC assesses utilities for actual costs incurred; therefore, both revenues and expenditures may not equal the budgeted amounts. This has regularly been the case in recent biennia, and PSC has underspent its authorized amount for utility regulation by an average of \$1.4 million from 2017-18 through 2021-22, including \$1,491,900 in 2020-21 and \$1,513,000 in 2021-22.

9. PSC contends that currently budgeted utility regulation funding provides administrative flexibility necessary to maintain critical agency regulatory functions. PSC staff believe it is not appropriate to allocate currently budgeted funding for engineering modeling software. As PSC only assesses utilities for actual expenditures, increased budget authority for modeling software would not necessarily result in increased costs for utilities; rather, it could be viewed as providing additional contingencies in the event PSC's other regulatory costs reached the authorization levels that would otherwise be provided for the 2023-25 biennium. If the Committee believed current funding levels give sufficient flexibility to meet agency operational duties and still support modeling software, it could deny funding [Alternative 2].

## ALTERNATIVES

1. Provide \$170,000 each year in ongoing budget authority for licensing and associated costs of advanced engineering modeling software.

ALT 1	Change to Base
PR	\$340,000

2. Take no action.

Prepared by: Margo Poelstra

