

Public Service Commission

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Joint Committee on Finance

Paper #640

Broadband Expansion Grant Program (Public Service Commission)

[LFB 2025-27 Budget Summary: Page 574, #2]

CURRENT LAW

The Wisconsin Public Service Commission (PSC) is responsible for managing state broadband expansion efforts. Expansion efforts are the responsibility of the Bureau of Broadband, Digital and Telecommunications Access, also known as the Wisconsin Broadband Office (WBO), within the Division of Digital Access, Consumer and Environmental Affairs. WBO administers programs to advance the availability, affordability, and use of broadband technology, including the state broadband expansion grant program that has awarded approximately \$361 million in grants since the inception of the program in 2013-14.

Broadband expansion grants are available to profit and not-for-profit organizations, telecommunications utilities, and municipalities partnering with organizations and utilities. For current grant cycles, areas eligible are areas that are "unserved," or lacking access to at least one provider with service of at least 100 megabits per seconds (Mbps) download speed and 30 Mbps upload speed. The particular threshold for unserved has varied over time as technology has evolved. (Broadband speeds are described further in subsequent sections.)

Allocation of state grants is subject to a variety of prioritization criteria, which include those that: (a) offer matching funds; (b) involve public-private partnerships; (c) are scalable; (d) promote economic development; (e) will not delay broadband deployment to neighboring areas; (f) affect a large geographic area or a large number of unserved individuals or communities; or (g) affect geographic areas with speeds of less than 25/3 Mbps.

Funding for the program has come from a variety of state and federal sources including: (a) transfers of program revenue (PR) from the Department of Administration's (DOA) appropriation

for information technology and communications services to non-state entities; (b) state segregated (SEG) universal service fund annual sweeps, described further in later paragraphs; (c) federal universal service fund e-rate program transfers; (d) federal coronavirus relief funding; and (e) general obligation bonding supported by general purpose revenues (GPR). In the 2023-25 biennium, approximately \$43.2 was awarded for broadband expansion infrastructure grants with funding from the federal American Rescue Plan Act (ARPA) through the Capital Projects Fund (CPF).

DISCUSSION POINTS

Broadband Expansion Progress

1. The Federal Communications Commission (FCC) defines 100 Mbps download/20 Mbps upload service as the minimum benchmark for internet service to be considered as "advanced telecommunications capability," that is, broadband service. The threshold was raised beginning in 2024, replacing the previous benchmark of 25/3 Mbps that had been in place since 2015. 25/3 Mbps can support two to three users, one of which is using a high-demand service such as video conferencing. If more than one user is using a high-demand service, speeds faster than 25/3 are typically required. 100/20 speeds can support additional users and allow users to generate and receive high-quality voice, data, graphics, and video telecommunication using any technology.

2. Under current law, state statutes define "served" as an area of the state that is served by an internet service provider (ISP) that is: (a) a fixed wireless service or wired service; (b) providing speeds of 100/20 Mbps; and (c) available and reliable. Wisconsin defines "unserved" as an area that does not have any ISPs meeting all of the above criteria. Prior to 2023, Wisconsin also recognized "underserved" areas as areas with access to service from fewer than two ISPs. PSC operates its grant program based on speed thresholds set by the FCC and provides grants to unserved locations.

3. According to PSC, Wisconsin has 2,312,849 broadband serviceable locations (BSLs). A BSL is defined by FCC as a location where fixed broadband internet access service is or could be installed. PSC reports that of the 2,312,849 BSLs in Wisconsin, 180,109 locations are without access to 25/3 service. An additional 195,224 locations are without access to 100/20 service. This amounts to 7.8% of households and businesses lacking 25/3 speeds and 8.4% of households and businesses lacking access to 100/20 speeds.

4. There are currently 229 internet service providers providing access to broadband in Wisconsin. Providers may offer a variety of technology types and service speeds when providing broadband. Commonly deployed internet service technologies include landline switched-access, digital subscriber line (DSL), cable internet, fiber-to-the-home/premises (FTTP), fixed wireless, mobile wireless, and satellite. Fiber currently offers the highest broadband upload and download speeds, and FTTP service provides substantially faster connection speeds than cable internet or DSL. PSC staff note that while there was variability in technology types early on in deployment, as state grant rounds have progressed, nearly all projects have shifted to deploying FTTP technology.

Current Available Funding

5. The state broadband expansion grant program was initially funded by an allocation of \$4.3 million PR transferred from the DOA's information technology and communications services PR appropriation, which supported the first two grant rounds in 2013-14 and 2014-15. Funding was also provided in previous biennia through the federal e-rate program, with funds accumulated by the Technology for Educational Achievement (TEACH) program and transferred to the broadband expansion grant program. Grants were provided \$11 million in 2017-18 under the 2017-19 biennial budget, and \$22 million each year under the 2019-21 biennial budget. Transfers in previous years exhausted available balances, and no additional funding was allocated to support broadband expansion grants during the 2021-23 or 2023-25 biennia. The appropriation does not carry a significant balance as of June 1, 2025. The table shows total awarded funding for broadband expansion grants from state and major federal sources since the inception of the program in 2013-14 through the 2023-25 biennium.

Total Broadband Infrastructure Grant Funding

Year	Program <u>Revenue</u>	Universal Service <u>Fund SEG</u>	Federal E-Rate Program <u>Transfers</u>	Federal Coronavirus <u>Relief Funding</u>	General Fund- Supported <u>Bonding</u>	<u>Total</u>
2013-14	\$4,300,000					\$4,300,000
2014-15						-
2015-16	-3,347,400	\$6,000,000				2,652,600
2016-17						-
2017-18			\$11,000,000			11,000,000
2018-19		2,242,600				2,242,600
2019-20		3,075,700	22,000,000			25,075,700
2020-21		3,392,500	22,000,000	\$5,378,500		30,771,000
2021-22				99,932,500	\$125,000,000	224,932,500
2022-23		16,601,100				16,601,100
2023-24				43,160,100		43,160,100
2024-25						
Total	\$952,600	\$31,311,900	\$55,000,000	\$148,471,100	\$125,000,000	\$360,735,600

6. Broadband expansion grants are currently in part supported by the segregated state universal service fund (USF). The USF supports programs to ensure all state residents receive essential telecommunications services, funded through assessments on telecommunications companies providing services. Allocations for the broadband expansion grant program are not determined by the Legislature as other appropriations supported by USF are, but instead the program receives transfers, or "sweeps," from other appropriations' unexpended or unencumbered amounts at the end of a fiscal year. If swept amounts do not total \$2 million, PSC is authorized to assess contributing telecommunications providers the difference to ensure the broadband expansion program receives at least \$2 million each year. PSC anticipates a sweep of approximately \$3 million in 2024-25.

7. To supplement USF SEG funding, 2021 Wisconsin Act 58, the biennial budget act,

provided \$125 million in general fund-supported bonding to support broadband expansion grants. In June, 2022, PSC announced 71 recipients who would be receiving awards. As of December, 2024, seven projects have been withdrawn and 52 projects are ongoing. Twelve projects have been completed. The completed and ongoing projects are expected to serve 2,750 businesses and 52,618 residences. To ensure compliance with state constitutional requirements related to bonding, recipient telecommunications providers were required to accept a lien on the property built with grant funding until bonds have been repaid.

8. PSC opened a grant round in December, 2022, fully funded by USF sweeps from the 2021-23 biennium and any remaining unspent funds from sweeps in previous biennia. PSC announced grants of \$16.6 million on May 18, 2023, from the combined available sweep amounts and other unspent amounts from earlier grants. Sweep amounts in 2023-24 totaled \$11.7 million. PSC has not opened a state grant round since the awards made with sweep funding from the 2021-23 biennium. PSC staff report that the timing of the next grant round will be dependent on several factors on the state and federal level.

9. Broadband expansion grants have also received funding from federal coronavirus relief programs. Funding was provided through the Coronavirus Aid, Relief, and Economic Security Act (CARES) and ARPA. In 2020-21, CARES provided \$5.7 million and in 2021-22, ARPA provided \$100 million for broadband expansion grants. Grants were provided under special one-time grant rounds held in fall 2020 and summer 2021, respectively, and all funds were expended.

10. ARPA also created the Capital Projects Fund (CPF), which allocated approximately \$189 million to Wisconsin for broadband expansion and other digital equity goals. In October, 2022, the U.S. Department of the Treasury approved Wisconsin's plan and request for \$42 million from the fund to support broadband infrastructure projects serving an estimated 8,000 locations and providing service of 100/20 Mbps. PSC opened a grant round in August, 2023, and awarded grants of \$43.2 million to 30 projects in March, 2024. (The additional \$1.2 million provided in this round came from underspending on previously awarded ARPA projects.) As of October, 2024, PSC has disbursed \$3.2 million in grants, and expects remaining disbursements to be made throughout the 2025-27 biennium.

11. In April, 2024, PSC announced the creation of the Capital Projects Digital Connectivity and Navigators program. While not a broadband infrastructure program, the Digital Connectivity and Navigators program will deploy computing devices, install Wi-Fi equipment in targeted apartment buildings, and provide digital navigation services to utilize deployed devices for work, school, and health-related reasons. The program will award up to \$33 million from the \$189 million total provided from the U.S. Department of the Treasury. The application period for this program ended on July 3, 2024. PSC reports that all grant disbursements will be made throughout the 2025-27 biennium.

12. The federal Infrastructure Investment and Jobs Act (IIJA) created the Broadband Equity, Access and Deployment (BEAD) program. Nationwide, \$42.5 billion is provided for broadband deployment under BEAD, consisting of a minimum of \$100 million for each state, with the remainder allocated based on the state's proportion of unserved locations, determined by maps created by the FCC, and 10% set aside for certain high-cost unserved locations. In June, 2023, the National Telecommunications and Information Administration (NTIA) announced an allocation of \$1,055,823,600 to support the deployment of broadband infrastructure through BEAD

implementation in Wisconsin.

13. IIJA also created the Digital Equity Program, which is a program created to target broadband adoption efforts towards specific communities. Targeted communities include households with low income or low literacy, the elderly, residents of rural areas, people of color, individuals with disabilities, English-language learners, veterans, and incarcerated individuals. According to U.S. Census Bureau data, the populations covered under the digital equity program account for 79% of Wisconsin's total population. Wisconsin's first digital equity award was \$952,200 from the State Digital Equity Planning Grant Program. In 2022-23 and 2023-24, PSC expended \$796,500 of the Digital Equity Planning grant, including \$521,600 for staffing and contracting costs, and \$274,700 for outreach grants. In May, 2024, PSC applied for the next phase of digital equity funding, the Digital Equity Capacity grant, and was awarded \$13.2 million in November of 2024. On May 9, 2025, PSC reports that all funding for the program was terminated by federal executive action, and PSC closed the application process.

14. In addition to the state and federally-funded programs administered by the Wisconsin Broadband Office, Wisconsin has also received funds from a variety of federal sources and programs since 2014 that are provided directly from the federal government to individuals and businesses. PSC has identified the following as major broadband funding initiatives: (a) the Connect America Fund (CAF) Phase II; (b) CAF Phase II Auction; (c) CAF Broadband Loop Support (BLS); (d) the Alternative Connect America Cost Model (ACAM); (e) ACAM II; (f) FCC Enhanced ACAM (FCC EACAM); (g) the Rural Digital Opportunity Fund (RDOF); (h) the U.S. Department of Agriculture (USDA) Broadband Reconnect Program; (i) USDA Telecommunications Infrastructure Loan and Loan Guarantee Program; and (j) the Tribal Broadband Connectivity Program (TBCP). In total, these programs have disbursed approximately \$1.48 billion in federal funding to Wisconsin as of March, 2025.

Senate Bill 45/Assembly Bill 50

15. Senate Bill 45/Assembly Bill 50 would provide one-time funding of \$400,000,000 GPR in 2025-26 for the broadband expansion grant program in a new, continuing appropriation. Combined with base funding through USF SEG budgeted at \$2,000,000 each year, the total amount budgeted for broadband expansion grants from state sources would be \$402,000,000 in 2025-26 and \$2,000,000 in 2026-27.

16. The BEAD program will be Wisconsin's primary broadband funding source in the 2025-27 biennium. BEAD was approved as part of IIJA in November, 2021. To date, funding has not been disbursed and fiber has not been built in Wisconsin. In January, 2025, PSC began accepting funding applications from eligible entities it has identified. PSC reports receiving 425 applications from 30 entities, totaling \$2.98 billion and proposing to cover 95% of BEAD-eligible locations. PSC opened a second application round in May. In June, PSC intends to negotiate with preliminary awardees, invite alternative technologies and provide non-competitive allocations. In July, PSC intends to create its final proposal, open the proposal up to public comment, and submit the proposal by July 28, 2025. Pending NTIA review, PSC will have approval to begin disbursing funding to entities.

17. On March 4, 2025, the U.S. Department of Commerce announced intentions to alter the

BEAD program by increasing opportunities for funding to support alternative technologies, low earth orbit satellites and unlicensed fixed wireless, as defined by the BEAD program. During the Governor's Task Force on Broadband meeting on March 19, 2025, PSC addressed public inquiries regarding potential program changes. PSC states it continues to work toward the BEAD plan that has been approved to date, with the ultimate goal of submitting its final proposal by the July 28, 2025, deadline. Currently, H.R.1807, the Streamlining Program Efficiency and Expanding Deployment (SPEED for BEAD) Act, is pending in the U.S. House of Representatives. The bill would change various aspects of current program guidance. While PSC recognizes it is possible that program guidance could change in coming months, Wisconsin is operating as though the approved plan will be in place.

18. It could be considered appropriate to provide state funding as a supplement to federal funding, due to program uncertainty and possible additional delays. PSC contends that despite significant federal investment in state broadband efforts, state funding is still necessary to maximize Wisconsin broadband deployment and replace aging technology. PSC argues that federal funding is being disbursed comparatively slowly, and state funding would help meet current demand. PSC reports that if the expected BEAD program timeline is followed, the state will have the capacity to administer additional state grants in the 2025-27 biennium.

19. PSC also identified concern regarding open projects funded with state or federal funds to date that may be canceled, defaulted, or reduced in capacity during the construction process. PSC reports that any location where this occurs will have been considered ineligible for BEAD funding, given that such projects were utilizing funding in lieu of BEAD at the time grants were being determined. PSC reports there are currently 109 open awards from the 2021, 2022, and 2023 state grant rounds, the 2022 ARPA grant round, and the 2023 Capital Projects grant round. PSC staff monitor ongoing projects closely to ensure compliance with the provisions of a grant agreement; however, if projects cannot be completed, areas are at risk of remaining unserved because the BEAD application rounds will have already closed.

20. PSC states that state funding would also be helpful to supplement federal funding in Wisconsin's high-cost broadband deployment areas, including forests, bluffs and other undulating terrain. In areas where it may be particularly challenging to build necessary infrastructure, federal funding may not be sufficient, and a state contribution could leverage or match federal funding to complete difficult projects.

21. Given the estimated capital costs needed to reach universal broadband access statewide, other state funding sources may not be sufficient to meet the policy goals of broadband expansion. The Committee could consider providing GPR for broadband expansion grants. Given the available balance of the state's general fund, construction of broadband infrastructure could be considered a viable use for GPR on a one-time basis. The Committee could consider providing the amount proposed in the bill of \$400 million in 2025-26 [Alternative 1a]. The Committee could also provide the funding through GPR-supported general obligation bonding, as was done under 2021 Act 58 [Alternative 1b].

22. Given the anticipated \$1 billion in funding from BEAD becoming available in the 2025-27 biennium, it could be considered appropriate to provide PSC with a lesser state supplement than the \$400 million provided in the bill. The Committee could consider providing an amount

commensurate with what has been administered by WBO in previous state grant rounds. PSC could consider providing \$125 million in GPR or in GPR-supported general obligation bonding, commensurate with the amount provided in 2021 [Alternative 2a or 2b]. PSC could also consider providing lesser amounts of \$40 million or \$20 million for state broadband grants, which would approximate the biennial [Alternative 3] or annual [Alternative 4] amounts provided in the 2019-21 biennium from federal e-rate funds. Given uncertainty surrounding the BEAD program and the program delays seen since 2021, it could be considered reasonable to guarantee the administration of a state grant round in the 2025-27 biennium, and reassess funding levels in future biennia when BEAD deployment is underway. The Committee could also take no action [Alternative 5], in which case broadband expansion funding would consist of federal BEAD funds and state USF sweep amounts in the 2025-27 biennium.

ALTERNATIVES

1. Provide \$400,000,000 on a one-time basis to support state broadband expansion grants in 2025-27. Specify funding is provided from:

a. GPR; or

ALT 1a	Change to Base
GPR	\$400,000,000

b. GPR-supported general obligation bonding.

ALT 1b	Change to Base
BR	\$400,000,000

2. Provide \$125,000,000 on a one-time basis to support state broadband grants in 2025-27. Specify funding is provided from:

a. GPR; or

ALT 2a	Change to Base
GPR	\$125,000,000

b. GPR-supported general obligation bonding.

ALT 2b	Change to Base
BR	\$125,000,000

3. Provide \$40 million on a one-time basis to support state broadband grants in 2025-27.
Specify funding is provided from:

- a. GPR; or

ALT 3a	Change to Base
GPR	\$40,000,000

- b. GPR-supported general obligation bonding.

ALT 3b	Change to Base
BR	\$40,000,000

4. Provide \$20 million on a one-time basis to support state broadband grants in 2025-27.
Specify funding is provided from:

- a. GPR; or

ALT 4a	Change to Base
GPR	\$20,000,000

- b. GPR-supported general obligation bonding.

ALT 4b	Change to Base
BR	\$20,000,000

5. Take no action.

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Joint Committee on Finance

Paper #641

Water Utility Regulation Staffing (Public Service Commission)

[LFB 2025-27 Budget Summary: Page 575, #5]

CURRENT LAW

The Public Service Commission (PSC) is responsible for regulating 576 drinking water utilities in Wisconsin, including both investor-owned and municipal utilities. Regulatory responsibilities include rate setting, financial oversight and complaint mediation. In several instances, a municipality has elected to combine its water and sewer services into a single utility, subjecting the combined utility to regulation similar to other drinking water utilities.

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. Under the 2025-27 base budget and Committee action on May 8, 2025, PSC is authorized \$17.85 million annually for utility regulation.

DISCUSSION POINTS

1. The Division of Water Utility Regulation and Analysis at PSC is responsible for the regulation of water utilities. Division duties include: (a) designing water rates; (b) reviewing utility applications for the construction of water infrastructure; (c) conducting audits and investigations related to water utilities; and (d) managing and collecting data related to water utilities. Current staffing in the Division is 13.0 positions, comprising analysts, auditors, engineers, policy advisors, an executive assistant and an administrative manager.

2. Water and combined water and sewer public utilities in Wisconsin are required to obtain approval from PSC before performing certain construction projects. After receiving an application for a construction project, PSC must declare a hearing or open a docket to begin the application review process. PSC has 180 days from the declaration of a hearing or 90 days from the opening of a docket, if a hearing is not declared, to take final action on a given application. Prior to 2021, PSC had an unlimited amount of time to receive an application, review the application, and decide when to declare a hearing or open a docket, which would subsequently initiate the 90-day or 180-day deadline.

3. 2021 Wisconsin Act 85 modified the time period in which PSC is required to take final action on applications by requiring PSC to determine whether an application is complete or incomplete within 45 days of the application being submitted for the first time and no later than 30 days after submission if the application is filed for a second or subsequent time. If PSC does not review an application and issue an approval or denial within the statutory deadline, projects are automatically approved. PSC contends that presumptive approval can limit the ability to impose necessary project conditions, address certain project concerns, gather sufficient public input, or establish reporting requirements to improve project accountability when the Commission is lacking sufficient staff resources for case review. PSC reports that the current deadlines for application review have increased demands on staff in the Division and increased the likelihood of applications being approved without sufficient review.

4. PSC reports that in the past decade, water utilities in Wisconsin are experiencing increasing effects of aging infrastructure. In addition, water utilities are navigating emerging issues related to lead and copper pipe replacement and per- and polyfluoroalkyl substances (PFAS), which have prompted additional projects beyond those needed to replace aging infrastructure. PSC reports that these issues have increased the volume of cases it reviews and the complexity of the review process. The Commission expects this trend to continue.

5. Senate Bill 45/Assembly Bill 50 would provide \$247,100 in 2025-26 and \$329,400 in 2026-27 with 3.0 positions from PSC's general utility regulation appropriation to support PSC oversight of water utilities. Positions would include 1.0 public service engineer, 1.0 advanced program and policy analyst, and 1.0 program and policy supervisor. PSC reports that the 3.0 positions will expand the capacity of the Division to review both construction dockets and rate cases. Table 1 shows position titles and salaries under SB 45/AB 50.

TABLE 1

Water Utility Staff Provided Under SB 45/AB 50

	<u>2025-26</u>	<u>2026-27</u>
Position Title		
Program and Policy Chief	\$87,700	\$116,800
Program Policy Analyst -- Advanced	56,500	75,400
Public Service Engineer -- Advanced	80,400	107,200
Supplies and Services	<u>22,500</u>	<u>30,000</u>
Total	\$247,100	\$329,400

6. PSC reports that current Division staff of 13.0 positions includes 5.0 public utility auditors, 2.0 public utility rate analysts, 2.0 public service engineers, 1.0 administrative manager, 1.0 administrative policy advisor, 1.0 executive staff assistant, and 1.0 appointed administrator. PSC indicates that staff in the Division has remained stable since 2019, but rate and construction cases have increased. PSC reports that applications for construction projects have increased 40% since 2019. More specifically, applications for water treatment construction have increased 120% since 2019. PSC states that the Commission approved 17 water treatment construction dockets in 2024, with six additional dockets currently active. Table 2 shows annual staffing in the Division and annual cases handled by the Division.

TABLE 2

Water Utility Staff and Cases since 2019

<u>Fiscal Year</u>	<u>Division Staff</u>	<u>Rate Cases</u>	<u>Construction Cases</u>	<u>Total Cases</u>
2019	14.00	44	33	77
2020	14.00	48	38	86
2021	13.00	55	38	93
2022	13.00	44	44	88
2023	13.00	47	43	90
2024	13.00	68	46	114

7. PSC reports that 1.0 public service engineer would be responsible for reviewing and analyzing water construction applications. PSC currently has 2.0 other public service engineers with the same responsibilities, but staff report that the time limits imposed by 2021 Act 85 have coincided with generally increased complexity of many water utility construction case reviews. Additionally, federal funding through the Infrastructure Investment and Jobs Act (IIJA), which will provide an estimated \$383 million in Wisconsin for replacement of lead service lines, and the American Rescue Plan Act (ARPA), which PSC reports that Wisconsin utilities allocated for water system infrastructure improvements, have in part prompted the observed increase in case filings. PSC also contends that a recent rule by the Environmental Protection Agency (EPA) that requires drinking water systems in the U.S. to identify and replace lead pipes within 10 years will increase utility construction cases.

8. PSC reports that 1.0 advanced program and policy analyst would manage the simplified rate case (SRC) program. The simplified rate case program is a PSC program that allows municipal water utilities that meet certain criteria to increase water rates on an inflationary basis. PSC indicates that SRC may benefit ratepayers in that it allows for smaller, more frequent rate increases, rather than sudden, larger increases. The SRC process includes an application to PSC and a notice to ratepayers, but does not require a public hearing. PSC reports that SRC applications have increased 49% since 2019. Other position duties assumed by the program and policy analyst would include coordinating application intake for conventional rate cases, assisting rate analysts with utility rules and tariff applications, coordinating outreach efforts, and facilitating communication between technical, administrative, and external utility staff to implement initiatives that are of value to the Division. Further, PSC reports that 1.0 program and policy supervisor would help distribute workload required

of the current Bureau director, and agency staff contend that this position is important if new staff are added to the Division.

9. In August, 2024, PSC received approval through passive review from the Joint Finance Committee for 23.0 positions to work on application review for electric utility generation and transmission projects. PSC reports that the positions are assisting with the influx of utility applications the agency is receiving to ensure statutory deadlines are met, while also working to improve public engagement and outreach. PSC contends that new staff have started to initiate process improvements and identify areas to create efficiency. None of the approved positions are assigned to water utility regulation. PSC contends that adding water utility regulation staff is intended to improve the efficiency of water utility case review. Further, PSC contends that creating a docket, in both utility cases and in water cases, that is a complete record with in-depth analysis and that can withstand judicial examination resolves cases in a timely fashion and to the satisfaction of interested parties. PSC intends for additional water utility staff to bring commensurate improvements that additional staff have provided for the electric utility division.

10. PSC collects two types of assessments from providers: (a) direct assessments; and (b) remainder assessments. To bill direct assessments, PSC uses a staff billable-time system to record the number of hours worked on individual utility dockets and assesses costs directly to the utilities involved in the docket. Remainder assessments are prorated shares of PSC's annual expenses, not attributable to a specific utility or other provider, which are paid by all providers based on PSC's total expenses and an individual provider's gross intrastate operating revenues derived from regulated services in a calendar year. These assessments provide funding for PSC's utility regulation PR appropriation, which is budgeted \$17,853,300 annually in the 2025-27 biennium under Committee action to date. Direct and remainder assessments are subsequently passed on by utilities to ratepayers. Increasing the number of staff working on water utility dockets may increase the amount of time dedicated to certain dockets, and resulting assessments billed to utilities. However, PSC contends that additional time spent on review is integral for properly regulating projects.

11. Given PSC's report that water utility needs have increased in recent years without a commensurate increase in staffing, the Committee could consider providing 3.0 additional staff in the Division of Water Utility Regulation and Analysis to support the review of water utility rate cases and construction projects [Alternative 1]. The Committee could also consider increasing staff by 2.0 positions. The Committee could provide funding for 1.0 public service engineer and 1.0 program and policy analyst, without providing an additional supervisory position [Alternative 2]. The Committee could also take no action. Existing staff in the Division of Water Utility Regulation and Analysis will be required to absorb any additional workload in the 2025-27 biennium [Alternative 3].

ALTERNATIVES

1. Provide 3.0 PR positions with \$247,100 in 2025-26 and \$329,400 in 2026-27 from the Commission's utility regulation appropriation for staff to support PSC oversight of water utilities.

ALT 1	Change to Base Funding	Positions
PR	\$576,500	3.00

2. Provide 2.0 PR positions with \$151,900 in 2025-26 and \$202,600 in 2026-27 from the Commission's utility regulation appropriation for staff to support PSC oversight of water utilities.

ALT 2	Change to Base Funding	Positions
PR	\$354,500	2.00

3. Take no action.

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Joint Committee on Finance

Paper #642

Assessment System Replacement and Information Technology Resources (Public Service Commission)

[LFB 2025-27 Budget Summary: Page 576, #7 and 8]

CURRENT LAW

The Public Service Commission's (PSC) operations are funded almost entirely by assessments on the utilities and telecommunication providers it regulates, calculated to reflect the cost of their regulation. These amounts are collected as general monthly and annual assessments, as well as additional special assessments on individual utilities for costs related to proceedings of the Commission or regulatory functions specific to that utility. State law requires PSC to remit 10% of its assessment revenues to the general fund, with the remainder deposited into various program revenue (PR) accounts supporting PSC regulation and programs.

PSC collects two types of assessments from providers: (a) direct assessments; and (b) remainder assessments. Direct assessments are billed to utilities or other providers for costs incurred by PSC during the course of an investigation, appraisal, or provision of requested services and directly attributable to a certain utility or other provider. Remainder assessments are prorated shares of PSC's annual expenses, not attributable to a specific utility or other provider. Remainder assessments are paid by all providers and an individual share is based on PSC's total expenses and the individual provider's gross intrastate operating revenues derived from regulated services in a calendar year. PSC collects assessments from utilities using a software-based assessment system.

The assessment system and other information technology resources are funded by PSC's PR appropriation for utility regulation. The appropriation is budgeted \$17,853,300 annually in the 2025-27 biennium under Committee action to date.

DISCUSSION POINTS

Assessment System Upgrades

1. Senate Bill 45/Assembly Bill 50 would provide \$321,400 PR in 2025-26 and \$428,600 PR in 2026-27 in one-time funding to develop a new assessment system for administrative functions related to PSC utility assessments. The new system would have enhanced data collection and reporting capability. PSC reports that one-time financing will be sufficient for assessment system replacement, and ongoing maintenance costs in future years will be able to be absorbed by existing information technology (IT) resources.

2. PSC reports that the current system it uses for assessments on utilities and telecommunications providers is outdated and limited in functionality. The system has been used for approximately 25 years and requires manual processes to manage invoice collection and follow-up. PSC reports that the current system cannot track invoice payments or initiate collection efforts automatically. PSC reports that the required manual processes are a strain on current staff. In addition, using manual processes increases the risk of invoice errors. In 2023-24, PSC sent approximately 3,000 invoices and collected \$18.5 million in assessments.

3. PSC reports that minimizing manual tasks required by the assessment process could reduce some workload for staff. PSC indicates that workload will transition to reconciliations of assessments or other system validation tasks. In August, 2024, PSC received approval through passive review for an additional 23.0 positions to support utility regulation. PSC emphasizes the recent approval of positions for utility filings and contends that the influx of utility filings expected in the 2025-27 biennium will result in additional assessments. PSC contends staff time previously used for manual assessment system processes could be reallocated to managing the expected influx of assessments.

4. The Administration contends a new assessment system is important because of statutory deadlines that regulate the collection of remainder assessments. Under s. 196.85 of the statutes, PSC is required to issue remainder assessments to providers within 90 days of the beginning of the fiscal year. Subsequently, providers must pay the assessments within 30 days of assessments being mailed. Finally, if providers pay and do not object to the bill, PSC must credit or charge providers for the difference between the prior fiscal year's remainder assessment and advance assessment. Due to the multi-stage procedure required to administer remainder assessments and deadlines in place, PSC contends the agency could benefit from a system with more automation to ensure ongoing compliance with statutory requirements.

Other Information Technology Resources

5. Senate Bill 45/Assembly Bill 50 would also provide \$293,800 PR and \$6,200 SEG annually in ongoing funding for IT resources at PSC. PSC intends to allocate \$250,000 annually for IT hardware costs associated with server replacements and \$50,000 for annual software licensing subscription costs.

6. PSC reports that the amount of data being processed by the agency, related to utility rate

cases, utility construction projects, and broadband analyses, has increased substantially in recent years. As a result, the agency has reduced its disaster recovery capacity to meet other agency demands. The capacity of PSC's data centers was set seven years ago, and the agency reports it now has outgrown the original capacity. PSC intends to replace hardware in the Commission's Madison and Milwaukee data centers and reports that this will ensure continued maintenance support from IT vendors and will provide a more resilient disaster recovery site in the event of a major outage. In addition to increasing hardware capacity, PSC reports funding would be used to support its annual subscription and licensing costs associated with agency software. PSC reports that server replacement and additional funding for software improvements is expected to improve agency efficiency and cybersecurity measures.

7. PSC reports that if it is unable to replace its servers and support annual software license subscriptions, the agency will have insufficient capacity to maintain agency operations and essential functions. In addition, the agency will struggle to maintain vendor support due to outdated hardware and will have reduced ability to comply with certain security standards identified as priorities by the state. PSC contends that replacement for its servers is an ongoing expense, as the agency replaces servers regularly and on a staggered basis to maintain agency function during replacement.

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 had underspent its authorized amount for utility regulation by an average of \$1.5 million from 2017-18 through 2022-23, including \$1.5 million in 2021-22 and \$1.2 million in 2022-23. In 2023-24, however, PSC underspent by \$51,300. 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 new expenditures, especially given spending levels in 2023-24.

9. Given PSC's assertion that a new assessment system is integral to continuing operations and reducing agency error, the Committee could approve one-time funding for the creation of a new system [Alternative 1]. The Committee could also consider approving ongoing funding for the Commission's long-term IT and hardware capacity needs. The Commission contends that the agency will not be fully functional and will operate with reduced security standards if funding is not provided. Given this possibility, the Committee could consider providing \$293,800 PR and \$6,200 SEG annually in ongoing funding for IT resources at PSC [Alternative 2]. The Committee could also take no action [Alternative 3]. It would be incumbent on PSC to allocate existing budget authority to cover costs that are necessary to continue existing agency services.

ALTERNATIVES

1. Provide \$321,400 PR in 2025-26 and \$428,600 PR in 2026-27 in one-time funding to develop a new assessment system.

ALT 1	Change to Base
PR	\$750,000

2. Provide \$293,800 PR and \$6,200 SEG annually in ongoing funding for IT resources at PSC.

ALT 2	Change to Base
PR	\$587,600
SEG	<u>12,400</u>
Total	\$600,000

3. Take no action.

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Joint Committee on Finance

Paper #643

Intervenor Compensation Funding (Public Service Commission)

[LFB 2025-27 Budget Summary: Page 576, #9]

CURRENT LAW

Wisconsin public utilities must seek approval from the Public Service Commission (PSC) before commencing certain actions, such as setting new rates, issuing stocks and bonds, and undertaking major construction projects. The PSC conducts its regulatory hearings on a quasi-judicial basis and develops a factual record on which to base its decisions. A complete factual record requires information both from the utility's experts and from individuals and organizations affected by the utility's actions. Any person adversely affected by a Commission decision may petition for judicial review, but Commission decisions based on a complete factual record are less likely to be subject to judicial challenge.

PSC administers an intervenor compensation program to provide financial assistance to organizations and individuals who choose to become an intervenor on behalf of an affected group in a Commission proceeding. While a typical case considered by the Commission requires substantial planning and investment by a utility, the diffuse set of ratepayers affected by the proposal lack the individual financial incentive to participate. Lack of participation by all affected parties may limit the evidence and perspective considered by the Commission during a proceeding. Intervenors balance PSC proceedings by allowing affected parties, who are otherwise without the necessary ability or resources, to challenge the information presented by public utilities. This helps ensure that PSC decisions are based on a complete factual record, and may reduce future costs of litigation.

By statute, the intervenor compensation program provides reimbursement for "some or all of the reasonable costs of participation" in Commission proceedings. To be eligible for compensation as an intervenor, the Commission must find that: (a) an intervenor's participation is

necessary to provide for the record an adequate presentation of a significant position in which the participant has a substantial interest, and that an adequate presentation would not occur without a grant of compensation; or (b) the participation has provided a significant contribution to the record and has caused a significant financial hardship to the participant. Under Chapter PSC 3 of the administrative code, compensable costs may include: (a) attorney fees; (b) expert witness fees; (c) cost of clerical services; (d) preparation of studies, displays, and exhibits; (e) travel and subsistence costs; and (f) other costs associated with the intervention and actually incurred.

Costs related to intervenor compensation are assessed as program revenues (PR) from utilities participating in the proceeding, which may then allocate those costs to ratepayers as part of their bill. As a result, ratepayers being represented by an intervenor each pay a small portion of those costs, roughly commensurate with their benefit of being represented. During the 2023-25 biennium, PSC is authorized to assess utilities up to \$542,500 each year to support the intervenor compensation program. The Commission only assesses utilities for actual expenditures under the program, and has not used its full authorization in recent years. In 2023-24, intervenor compensation awards totaled \$421,400. Intervenor compensation is supported by a biennial appropriation, which allows PSC to expend the total amount appropriated in both years of the fiscal biennium at any point in the biennium.

DISCUSSION POINTS

1. Parties are not allowed to participate in PSC proceedings unless they request to intervene. Before receiving intervenor status, parties must show that their substantial interests may be affected or that their participation in the PSC proceeding "will promote the proper disposition of the issues to be determined." Compensation is not paid for all expenses incurred by intervenors, but is limited to the compensable costs listed under Chapter PSC 3. PSC may audit the books, papers, documents, and records supporting requests for compensation. PSC staff review each application for compensation, may request additional information, and may recommend that the Commission approve some, all, or none of a request.

2. Through the intervenor compensation program, PSC reports typically providing financial support to parties that represent the interests of: (a) business or residential ratepayers; (b) renewable energy advocates; or (c) entities representing the interests of low-income populations impacted by utility rate case decisions. Parties granted intervenor status are thought to improve PSC's ability to develop a broad perspective and set of evidence when making decisions; however, requests for reimbursement are sometimes reduced or denied. PSC staff report that requests are denied: (a) when there are questions about eligibility for grants; (b) when an applicant does not provide sufficient evidence to demonstrate that their testimony would be relevant or material to the proceeding; or (c) when the Commission believes the intervenor's information would duplicate information already in the record. Table 1 provides a list of entities requesting intervenor compensation and their resulting reimbursements since 2022, through May, 2025.

TABLE 1**Intervenor Compensation Reimbursements (Calendar Year)**

<u>Recipient</u>	<u>Number of Cases</u>	<u>Amount Received</u>
2022		
RENEW Wisconsin Inc.	7	\$120,000
Clean Wisconsin Inc.	2	94,035
Walnut Way Conservation Corp.	<u>1</u>	<u>86,216</u>
Annual Total	10	\$300,251
2023		
RENEW Wisconsin Inc.	2	\$65,000
Clean Wisconsin Inc.	2	111,315
Walnut Way Conservation Corp.	3	84,097
350 Wisconsin	2	36,496
Blacks for Political and Social Action of Dane County	<u>2</u>	<u>153,050</u>
Annual Total	11	\$449,958
2024		
RENEW Wisconsin	1	\$8,000
Clean Wisconsin	1	35,560*
350 Wisconsin	2	33,206
Walnut Way Conservation Corp.	1	104,790
Healthy Climate Wisconsin	1	25,000
Blacks for Political and Social Action of Dane County	<u>2</u>	<u>78,077</u>
Annual Total	8	\$249,073
2025 (to date)		
Walnut Way Conservation Corp.	1	\$23,020
Citizen's Utility Board	<u>1</u>	<u>47,500</u>
Annual Total	2	\$70,520

*Award pending as of May, 2025, and not included in the annual total.

3. Senate Bill 45/Assembly Bill 50 would provide \$207,500 each year in ongoing budget authority to support the intervenor compensation program. Total funding for the program would be \$750,000 annually under the bill.

4. Utilities pay assessments to cover costs reimbursed to intervenors for dockets in which the utility is involved. Table 2 shows these assessments since 2019-20. PSC staff report that because assessments are not imposed until after costs are reimbursed, there is a delay between when compensation is awarded and when utilities pay assessments. Thus, assessments in Table 2 do not align with reimbursements shown in Table 1.

TABLE 2**Intervenor Compensation Assessments by Utility**

	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>Total</u>
American Transmission Company LLC	\$77,243					\$77,243
Dairyland Power Cooperative	17,165					17,165
ITC Midwest	77,243					77,243
Madison Gas and Electric Company			\$36,041	\$16,081	\$97,567	149,689
Northern States Power Company				16,081		16,081
Silver Maple Solar LLC					16,915	16,915
South Shore Energy LLC	35,591	\$40,808				76,399
Wisconsin Electric Power Company	18,689	22,589	40,748	156,173	18,881	257,080
Wisconsin Gas LLC	30,192	22,589		26,219	4,297	83,297
Wisconsin Power and Light Company				16,081	178,064	194,145
Wisconsin Public Service Corporation	<u>47,712</u>	<u>50,264</u>	<u>15,561</u>	<u>26,081</u>	<u>2,642</u>	<u>142,260</u>
Total	\$303,835	\$136,250	\$92,350	\$256,716	\$318,366	\$1,107,517

5. The number of cases with intervenors is correlated to the total amount of utility filings for construction dockets. PSC expects a significant influx of dockets in the 2025-27 biennium, largely due to the closing of coal-powered plants and the ongoing energy transition, and several expected transmission projects.

6. PSC prepares a Strategic Energy Assessment (SEA) report biennially. The SEA covers a seven-year period and evaluates the adequacy and reliability of the state's current and future electricity supply, identifies the projected demand for electric energy, and assesses whether sufficient electric capacity and energy will be available to the public at a reasonable price. In the most recent SEA, published in November, 2024, and covering the period from 2024 through 2030, Wisconsin electric providers reported plans to add approximately 4,200 megawatts (MW) of new solar energy capacity, 2,500 MW of new natural gas capacity, and nearly 1,200 MW of new wind capacity by 2030. In addition, providers reported plans for 900 MW of new energy storage capacity and plans for transferring ownership of approximately 125 MW of existing natural gas capacity. The transition of energy sources is largely due to the retirement of coal-powered facilities in coming years. PSC anticipates utilities retiring approximately 2,700 MW of in-state energy generation from coal-powered facilities by 2030. According to the SEA, PSC observed an increase in public engagement in 2022 and 2023, including engagement from intervenors, for generic investigations, construction cases, and rate cases related to the energy transition.

7. In addition to the increasing number of anticipated projects due to the energy transition, PSC expects new high-voltage transmission line expansions impacting Wisconsin. PSC reports that the Midcontinent Independent System Operator (MISO) has \$10.3 billion in new transmission lines planned as part of its long-range transmission planning (LRTP) initiative. LRTP construction is separated into four planned tranches. PSC reports that as of December, 2024, MISO has approved Tranche 2.1, which will include seven high-voltage transmission line projects located in Wisconsin.

PSC reports that these larger projects will require Commission review and approval, and thus be open to public comment and intervention from the intervenor compensation program participants.

8. PSC reports that in fiscal year 2024, requests for intervenor compensation exceeded budget authority. Requests totaled \$587,700 and awards totaled \$421,400. PSC reports that though its budget authority for intervenor compensation is \$542,000 annually, the intervenor compensation program accepts applications on a rolling basis and the Commission must consider future program needs when considering applications at any given time. Commission staff may choose to reserve funding for future awards when considering applications if there is concern that there will not be enough funding for the remainder of the biennium. As a result, several applications were denied or reduced. PSC reports that this limits the information that is included in the official record of a case and creates a less complete docket. PSC contends that having a shortage of funding to provide to all requesting intervenors requires PSC Commissioners to make decisions in cases without having access to complete information.

9. To fund the intervenor compensation program, PSC imposes assessments on utilities participating in the proceeding, and the assessments are subsequently passed on to ratepayers. As a result, the intervenor compensation program allows for representation of the interests of a broad base of ratepayers, who then contribute funding via their utility bill commensurate with their benefit of representation before the Commission. Further, while any person affected by a Commission decision may petition for judicial review, Commission decisions based on a complete factual record are less likely to be subject to judicial challenge, meaning increased intervenor participation may reduce future costs of litigation. PSC reports that increasing funding for intervenor compensation is not expected to have a significant impact on costs for ratepayers.

10. Given that intervenor compensation allows ratepayers to support participation by entities advocating on their behalf, and broadens the record for consideration by the Commission, the Committee could consider approving the proposal to increase intervenor compensation by \$207,500 to \$750,000 each year [Alternative 1]. The Committee could also consider providing a smaller amount of \$100,000. This number takes into account requests exceeding budget authority by approximately \$50,000 in fiscal year 2024, while also considering PSC's assertion that utility cases requiring intervention are expected to increase in the 2025-27 biennium [Alternative 2]. The Committee could also choose to take no action. Funding for the intervenor compensation program would be \$542,500 annually in the 2025-27 biennium [Alternative 3].

ALTERNATIVES

1. Increase intervenor compensation by \$207,500 each year, for a total of \$750,000 each year.

ALT 1	Change to Base
PR	\$415,000

2. Increase intervenor compensation by \$100,000 each year, for a total of \$642,500 each

year.

ALT 2	Change to Base
PR	\$200,000

3. Take no action.

Prepared by: Margo Poelstra

PUBLIC SERVICE COMMISSION

LFB Summary Item for Which No Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
6	Nuclear Power Plant Feasibility Study