



STATE OF WISCONSIN PUBLIC SERVICE COMMISSION AGENCY PRIMER: “WHAT YOU NEED TO KNOW”

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INSTITUTE FOR
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FROM THE DESK OF CJ SZAFIR

Freedom and Opportunity. Those are ideals that bind us together as a state. Unfortunately, the size and scope of state government too often gets in the way of individuals and families being able to achieve their full potential as they build their share of the American Dream.

We can do better, and we must do better. We all should ask, — “Is the mission of state government, — of each and every agency, bureau, and division —, aligned with the vision that everyday Wisconsinites have for Wisconsin? Is state government set up to help citizens succeed, or is it a roadblock to success? We need a conservative vision for state government, indeed for each and every agency.

Last spring, with support from our donors and Board of Directors, the Institute for Reforming Government started an ambitious project to help answer those questions about the biggest state agencies to help answer those questions because we believe the best way to enhance liberty is to improve transparency. This project was the work of eight experts in Wisconsin state government, including three senior-level cabinet officials, a budget director, and subject matter experts. In addition, our team had regular meetings with former top officials in state government as well as business leaders and other experts outside of government. We looked at past revenue and spending trends. The findings are not surprising.

State agencies are massive. They spend record amounts of taxpayer dollars year over year. They too often get in the way of individual success and are set up as enforcement agents instead of partners in creating a better Wisconsin. They need reform. We need leaders to bring forward conservative visions to the agencies.

In these briefings, we shine light onto state agencies to help all citizens diagnose what is broken. Later, based on these and discussions with people all over Wisconsin, we'll offer government reform ideas and detailed budget analysis to help chart a new course for Wisconsin, - one where each and every individual in our state has the freedom and opportunity to succeed.

Sincerely,

CJ Szafir

President

Institute for Reforming Government

“Light and liberty go together”

Thomas Jefferson, In a letter to Tench Coxe, 1795

This document prepared by the Institute for Reforming Government (IRG) is intended to inform policy makers and the public of the full scope of the Wisconsin Public Service Commission (PSC). Our partners at the IRG Action Fund will release conservative, free market, and liberty minded policy reforms specifically for PSC in a separate document.

For the general public, the executive branch of Wisconsin state government can be a mystery. There are countless agencies with billions of tax dollars flowing through them. Although some may have an understanding of an agency because of their daily work or real world experience, few people in Wisconsin have a handle on the entirety of the executive branch. Each agency has its own mission, functions, and programs. Some agencies generate their own revenue, some rely on state tax dollars and many of them take some sort of federal funding. Each agency has unique powers and authorities. The goal of this briefing document is to pull back the veil and show Wisconsinites how their government taxes, spends, and regulates.

Over the course of months, a team of policy experts at IRG poured through all of the information on Wisconsin's biggest agencies. In this briefing document, you will see agency functions, budget trends, a list of past appointees, and policy concerns. These items create a basis for understanding the scope and history of each agency in an effort to inform policy makers in Madison as they carry out their work in the coming legislative session. By doing this, we hope to inspire the next generation of policy makers and cast a conservative vision for Wisconsin.

Every Wisconsinite that turns on a light switch, uses gas to heat their home, or has municipal water coming out of their taps is affected by the decisions of the Public Service Commission (PSC or Commission). The PSC has the important responsibility of regulating the allowable monopoly of utilities. Through a quasi-judicial process, the Commission decides on requests for new construction and rate increases. These come to the PSC in the form of cases with developed records for the commissioners to use in their decision making. In recent years, the PSC has taken on the broadband expansion grant program. This grant program has used funding from a variety of sources to help fund the build out of broadband infrastructure to parts of the state that are unserved. The Commission has an important role in the state regulatory and economic environment.



Prior to the 1907 Public Utilities Law, Wisconsin utilities were largely regulated by local municipalities. At that time, utility services were provided by private companies and local governments alike. Each municipality set their own standards and granted franchises. Some municipalities created monopolies while others tried to create competition by granting multiple franchises. In some cases, when a utility would expand into a new municipality, those residents would pay higher rates to subsidize the cost for residents of the regulating municipality. The end result was varying levels of price, reliability and duplication of expensive infrastructure.

Enacted in 1907, the Public Utilities Law was a response to public dissatisfaction with reliability and cost of service. The law granted utilities monopoly status and transferred regulatory control to the state government. The state would now set standards of service, rates and fees, and allow utilities to take private property for infrastructure with approval of the state. The Public Utilities Law placed this authority within the Wisconsin Railroad Commission until the Public Service Commission was established in 1931.

Today, the powers of the Public Service Commission are vested in three commissioners, appointed by the Governor with the advice and consent of the Senate. Commissioners serve six-year staggered terms. Every two years, the Governor appoints the chair of the Commission. The Chair of the Commission is largely responsible for the administrative functions of the agency alongside their normal duties as a commissioner. In some cases, the Chair may choose to delegate oversight over portions of agency operations to another commissioner. In light of the need for technical expertise, the agency is staffed by auditors, economists, accountants, attorneys, engineers and planners.

The Public Service Commission is located within the Hill Farms State Office Building on the west side of Madison.

AGENCY DESCRIPTION, MISSION, & FUNCTION

Information in this section was pulled directly from public sources on the Department of Administration and Public Service Commission websites.

Agency Description

The Public Service Commission is an independent utility regulatory agency dedicated to serving the public interest. In the absence of competition, the Commission works to ensure that safe, reliable, affordable, and environmentally responsible service is provided to utility customers. The types of utilities regulated include electric, natural gas, water, combined water and sewer utilities, and certain aspects of local telephone service. More than 1,100 utilities are under the agency's jurisdiction. Most of these must obtain Commission approval before changing rates or service terms, issuing stocks or bonds, or undertaking major construction projects such as power plants, water wells, natural gas distribution facilities and electricity transmission lines. The Commission also awards grants related to broadband infrastructure, essential telecommunication services and energy innovation.

The Commission is composed of three full-time Commissioners who decide the cases brought to the Commission for changes in utility operations and rates, and for construction projects after a complete and thorough review of all the records compiled in the case, including public comments. Commissioners are appointed by the Governor with the advice and consent of the Senate for staggered six-year terms. One of these Commissioners is appointed Chairperson by the Governor for a two-year term. The Commissioners' Office, under the direction of the Chairperson, has oversight of all staff-related activities.

In keeping with its commitment to quality management principles, the Commission is organized along regulatory and programmatic lines into four operating divisions: Division of Business Operations and Office Management; Division of Digital Access, Consumer and Environmental Affairs; Division of Energy Regulation and Analysis; and Division of Water Utility Regulation and Analysis. Commission staff consists of auditors, accountants, engineers, rate analysts, attorneys, planners, research analysts, economists, consumer analysts, consumer specialists, court reporters, and paraprofessional and administrative support personnel. These experts work in an advisory role to the Commissioners.



Mission

The mission of the Public Service Commission is to oversee and facilitate the efficient and fair provision of quality utility services in Wisconsin. The Public Service Commission ensures safe, reliable, affordable, and environmentally responsible utility services and equitable access to telecommunications and broadband services.

Function

The functions of the Public Service Commission are divided amongst its four divisions and one office. Below is a brief explanation of each:

Division of Energy Regulation and Analysis

The Division of Energy Regulation and Analysis takes on the largest workload at the agency and its work is the core function that is most recognizable at the Public Service Commission. The division designs rates and reviews applications for construction of electric and gas infrastructure. They audit the financials of utilities and their holding companies and their engineers conduct analysis of existing and proposed infrastructure. The division also keeps Wisconsin regulators in touch with the Midcontinent Independent System Operator (or MISO) which operates the electrical grid throughout the central part of the continental United States and parts of Canada.

Division of Water Utility Regulation and Analysis

The division is responsible for the regulation of water utilities by setting water rates and reviewing applications for construction of water infrastructure.

Division of Digital Access, Consumer and Environmental Affairs

PSC does have responsibilities outside of utility regulation and the Division of Digital Access, Consumer and Environmental Affairs is the catch-all for these functions. The division oversees the energy innovation grant program, the broadband expansion grant program, the Universal Service Fund, and Focus on Energy. This is also where staff is housed that conducts environmental impact studies for the commission when necessary.

Division of Business Operations and Office Management

This division is responsible for the administrative functions of the agency including finance, HR, and IT.

Office of Legal Counsel

The Office of Legal Counsel advises the agency and commissioners on statutory and administrative requirements within each case, develops memo and briefs to aid commissioners in their decision making, and coordinates the agency's rulemaking.

AGENCY BUDGET TRENDS

The state budget process begins in September of every even year when each agency sends its budget requests to the Department of Administration. The Governor then has several months to put together the executive budget proposal that is forwarded to the Legislature. The Legislature, through the work of the Joint Finance Committee, then holds hearings and votes on the budget through the spring and summer of the odd year. This culminates with the signing of the budget document that summer. While technically due by July 1 of the budget year, often budget debates will drag into the Summer and sometimes the fall. However, the government does not shut down in Wisconsin as it does at the federal level when there is a budget impasse - it simply continues on the current spending plan until a new budget is adopted.

The Public Service Commission's budget has largely remained stable over the past few budget cycles, excluding the variations in the amount of funding allocated for the broadband grant program.

Agency Budget Trend

Fund	2017 ACT 59	2019 ACT 9	2021 ACT 58
GPR			
FED	\$5,367,800	\$5,598,500	\$5,960,200
PR	\$38,953,900	\$40,650,700	\$41,389,600
SEG	\$27,029,800	\$57,010,800	\$17,041,000
TOTAL	\$71,351,500	\$103,260,000	\$64,390,800
BR			\$125,000,000

FTE Position Summary

Fund	2017 ACT 59	2019 ACT 9	2021 ACT 58
GPR			
FED	10.25	10.25	11.75
PR	139.00	139.00	139.00
SEG	4.00	4.00	4.00
TOTAL	153.25	153.25	154.75



The PSC is led by the Chairperson who is one of the commissioners, selected by the Governor for a two-year term. There are three Commissioners appointed by the Governor with the advice and consent of the Senate to serve staggered six year terms. Each commissioner has an Executive Assistant. Like other agencies, the Chairperson appoints a chief legal counsel, a legislative liaison, and a communication director. Descriptions of each appointed position are listed below:

Commissioner

The PSC is composed of three full-time commissioners who decide the cases brought to the PSC for changes in utility operations, rates and for construction projects after a complete and thorough review of all the records compiled in the case, including public comments. The three commissioners are appointed by the governor and confirmed by the senate for staggered, six-year terms.

Executive Assistant

Each of the three PSC Commissioners may appoint their own Executive Assistant, to serve at his or her pleasure outside of the classified service. The Executive Assistant performs duties as the commissioner prescribes.

Chief Legal Counsel

The Chief Legal Counsel serves at the pleasure of the Chairperson and provides legal counsel and support involving the agency's affairs.

Legislative Liaison

The Legislative Liaison is primarily responsible for facilitating and managing relationships with the Legislature and external stakeholders to provide information as needed and requested. The position also helps develop the agency's legislative agenda to align with the Commission's priorities, current industry standards and respond to stakeholder concerns.

Communications Director

The Communications Director supports the Commission in strategic communications and responds to media inquiries. The position may also speak on behalf of the Commission and represent the agency in the media.

Division Administrator

The Division Administrator, appointed by the Chairperson, is responsible for providing leadership, personnel management and guidance on day-to-day operations for the agency's assigned division. This position typically reports to the Executive Assistant to the Chairperson, communicating activities and providing advice to ensure the division is in line with the agency's mission.

These appointments may change during the 4-year term of a governor. Listed here are the teams serving under Governor Tony Evers in mid-2022, as well as the team that served at the end of Governor Scott Walker's final term.

Agency Leadership

POSITION	EVERS	WALKER
CHAIRPERSON	Rebecca Valcq	Lon Roberts
CHIEF OF STAFF	Carrie Templeton	Bill Jordahl
COMMISSIONER	Tyler Huebner	Mike Huebsch
EXECUTIVE ASSISTANT	Mark Bender	Teri Hatchell
COMMISSIONER	Ellen Nowak	Rich Zipperer
EXECUTIVE ASSISTANT	Bob Seitz	Alex Ignatowski
CHIEF LEGAL COUNSEL	Cindy Smith	Cindy Smith
LEGISLATIVE ADVISOR	Matt Sweeney	Matt Spencer
COMMUNICATIONS	Jerel Austin Ballard	Matt Spencer
DIVISION OF DIGITAL ACCESS, CONSUMER AND ENVIRONMENTAL AFFAIRS	Christie Nieto	N/A
DIVISION OF ENERGY REGULATION AND ANALYSIS	Martin Day	Martin Day
DIVISION OF WATER REGULATION AND ANALYSIS	Vacant	N/A
DIVISION OF BUSINESS OPERATIONS AND OFFICE MANAGEMENT	Eric Esser	Theresa Elliot
DIVISION OF WATER, TELECOMMUNICATIONS AND CONSUMER AFFAIRS	N/A	Steve Knudson
DIVISION OF REGIONAL ENERGY MARKETS	N/A	Cindy Torstveit



ATTACHED COUNCILS, TASK FORCES, & COMMITTEES

Like most agencies, the Public Service Commission administers Boards and Councils charged with various responsibilities. Generally, these entities either give advice to the Chairperson or are part of the regulatory process itself.

Universal Service Fund Council

The council has an advisory role and informs the Commission on the administration of the Universal Service Fund (USF). USF provides low or no cost telecommunication services to low income and disabled residents.

Wind Siting Council

The council advises the Commission regarding the promulgation of rules related to the siting of wind turbines and their interaction with local zoning or siting rules. The council is charged with staying informed on the latest information about the health effects and national trends in the siting of turbines.

MAJOR PAST INITIATIVES

(2011-Present)

Most major policy initiatives happen during the budget process. The Governor, and sometimes the Legislature, will propose a major reduction or increase in spending for any number of programs. The major initiatives dating from 2011 to the present for the Public Service Commission is listed below:

Major Past Initiatives

INITIATIVE	GOVERNOR	ENACTED	NOTES
AUDIT THE UNIVERSAL SERVICE FUND	Walker	No	
CONSOLIDATE PIO AND LEGISLATIVE LIAISON POSITION	Walker	Yes	
REPEAL AUTOMATIC INCREASES IN ENERGY EFFICIENCY CONTRIBUTIONS BY UTILITIES	Walker	Yes	
TRANSFER ENERGY OFFICE TO PSC FROM DOA	Walker	Yes	
INCREASED FUNDING FOR BROADBAND EXPANSION GRANTS (~\$14 MILLION, 2017-19)	Walker	Yes	
TRANSFER HR FUNCTIONS TO DOA	Walker	Yes	
INCREASED FUNDING FOR BROADBAND EXPANSION GRANTS (~\$44 MILLION, 2019-21)	Evers	Yes	JFC APPROVED LESS THAN EVERS' REQUEST
ALLOWING MUNICIPALITIES TO PROVIDE BROADBAND WITH LESS REGULATORY REQUIREMENTS	Evers	No	JFC DELETED, TWICE
INCREASE FUNDING/UTILITY PAYMENTS INTO FOCUS ON ENERGY (2019-21 & 2021-23)	Evers	No	JFC DELETED
INTERVENOR COMPENSATION (2021 ACT 24)	Evers	Yes	
OFFICE OF ENERGY INNOVATION TO DOA	Evers	No	JFC DELETED



INCREASED FUNDING FOR BROADBAND EXPANSION GRANTS (~\$125 MILLION IN BONDING, 21-23)	Evers	Yes	JFC AMENDED
BROADBAND ACCESS IS A GOV'T FUNCTION, STATE MUST ASSIST PROVIDERS IN DEPLOYMENT)	JFC Under Evers	Yes	
UTILITY LAW EXEMPTION FOR CHARGING STATIONS (21-23)	Evers	No	JFC DELETED
2021 ACT 24 (THRESHOLDS, PROCEEDINGS, CUB PAYMENTS, MISC.)	Legisla- ture	Yes	

STAKEHOLDERS

Every agency has a number of organizations, professions, and industries that are uniquely interested in the policy or regulatory decisions that could affect their membership or industry. The groups are commonly organized into trade associations and are represented by registered lobbyists that stay in touch with agency leadership. These lobbyists keep their membership informed on current policy debates and use their expertise to educate policy makers on the issues important to their industries. Below is a non exhaustive list of stakeholders that are interested in the Public Service Commission.

STAKEHOLDER	TYPICAL ISSUES
CITIZENS UTILITY BOARD	Rate setting
RENEW	Renewable energy
SIERRA CLUB	Environmental conservation
CUSTOMERS FIRST!	All energy related issues
MUNICIPAL ELECTRIC UTILITIES OF WISCONSIN	Municipal utility regulation
ALLIANT ENERGY	Investor owned utility regulation
WEC ENERGY GROUP (WE-ENERGIES, WPS,	Investor owned utility regulation
MADISON GAS & ELECTRIC	Investor owned utility regulation
XCEL ENERGY	Investor owned utility regulation
AMERICAN TRANSMISSION COMPANY	Transmission regulation
DAIRYLAND POWER COOPERATIVE	PSC Approvals



PAST EXECUTIVE ORDERS

Formal actions by the Governor are conveyed through executive order. These orders often direct state agencies to carry out the Governor's policy goals within their statutory authority. They can be used to create councils to explore public policy solutions, bring the state into compliance with federal requirements, direct agencies to take certain actions, and carry out powers granted to the Governor under Chapter 14 of the Wisconsin Statutes. Below is a list of executive orders that pertain to the Public Service Commission.

Executive Orders

GOVERNOR	EO#	DATE	DESCRIPTION	STATUS	RECOMMENDATION
Evers	161	4/22/22	Creation of the office of Environmental justice	Active	Recind
Evers	80	7/14/20	Creation of the governor's task force on broadband access	Active	Keep-Appoint New Chair
Evers	EMR ORD 11	3/22/20	Suspend PSC admin rules during public health emergency	Inactive	
Evers	12/56/108	2/21/19 & 10/13/19 & 2/11/21	Energy emergency, fuel transport rules	Inactive	
Evers	52	10/17/19	Task force climate change	Inactive	
Walker	212/223/272	9/7/16 & 11/4/16 & 12/13/16	Energy emergency, fuel transport rules	Inactive	
Walker	76	7/18/12	Emergency declaration for drought	Inactive	
Walker	50	11/2/11	2011 Act 21 - administrative rules		
Walker	45	9/28/11	Special Session	Inactive	

GOVERNMENT REFORM OPPORTUNITIES

Wisconsin government has grown too big and too expensive. This has pre-cipitated issues across the whole of the executive branch that have become a barrier to the success of Wisconsin residents and businesses alike. The Institute for Reforming Government endeavors to shine light on these issues as prime opportunities for bold reform. Below you will find a non-exhaustive list of policy concerns that we have highlighted for the Public Service Commission.

Broadband

Broadband needs to be addressed. A recent audit of the Broadband Expansion Program by the Legislative Fiscal Bureau found that the PSC did not retain scores of grant applicants, did not follow criteria set in application instructions, did not verify that providers awarded grants had actually constructed the infrastructure, and did not document actual amounts paid by providers for construction. On top of all this, the Commission rubber stamped 95% of staff recommendations with little discussion. This should be top of mind for policymakers as Wisconsin will receive somewhere between \$700 million and \$1 billion through the federal BEAD program. Given the poor performance highlighted by the Audit Bureau, it remains to be seen if the PSC can deliver efficiently and effectively.

Electric Vehicle Infrastructure

Electric vehicles (EV) are likely to proliferate in Wisconsin and across the country. Current regulations are a barrier to the private sector and do not allow gas stations and other private entities to install, maintain, and charge for the use of these charging stations. Government needs to get out of the way so the private sector can respond to the free market. Last session, AB 588/SB 573 was introduced to do just that. Unfortunately, the bills failed and the state is stuck with no clear guidelines for private ownership of EV charging stations.



Grid Capacity, Rising Rates, and Generation Mix

Wisconsin, like the rest of the nation, is at a tipping point in terms of energy generation. Across the country, utilities are retiring reliable and affordable electric generation plants in favor of solar and wind. In some states, this is done through coercion and in other cases the utilities are following the national trend toward cleaner less carbon emitting forms of energy. Wisconsin is no different. Utilities are retiring coal plants and partnering to construct solar farms. In the last 4 years, the PSC approved the construction of a major powerline, Cardinal-Hickory Creek, to bring wind power into Wisconsin from Iowa. Switching to less emitting technologies is not a bad thing, but it cannot be done at the expense of reliability and affordability. Zero carbon options, like small modular nuclear reactors, are right around the corner. This potentially revolutionary technology will be a game changer for Wisconsin and the state must be ready for it.

Focus On Energy

Focus on Energy (FoE) collects \$100+ million from utilities. In turn, it is used to provide subsidies for residential, commercial and industrial energy efficiency projects. Governor Tony Evers tried to increase the rates that utilities would pay into the program, but the legislature removed it from the budget. Funding for this program is used to discount energy efficient items, like LED light bulbs, and helps industrial customers find energy savings. It's time to use this money for something better than light bulbs.

Universal Service Fund Reform

Universal Service Fund Reform (USF) provides duplicative funding to subsidize the cost of wireline and wireless services to lower income individuals. Policy makers could explore getting rid of the state USF charge which raises roughly \$43 million annually. Consideration would need to be given to other programs funded by the program (i.e. services to the deaf and disabled).

CONCLUSION

At the Institute for Reforming Government we know that the government isn't the way of the future - people are. And we believe that in order to empower people and ideas to flourish, our government needs to get out of the way.

This is nothing new for Wisconsinites- we have a long history as the standard bearer for government reform - we were the first state to implement unemployment insurance, Wisconsin Works (W-2), and we were on the cutting edge of major collective bargaining reform. But today the state we love is beginning to lag behind. Our executive branch has become bloated, slow, and expensive - a burden to the state's economy instead of a catalyst.

The solution to this problem isn't more government, *it's less*. What we need is a conservative vision for the state. This introductory document lays bare the issues and problems that are standing in the way for Wisconsin. In the coming months, IRG will be releasing a series of reforms that will cast a conservative vision for key executive branch agencies in the state.

Now is the time to renew our faith in the people of Wisconsin, not the government.

