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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	12,400
Total	$600,000

3. Take no action.

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M# 642 Alt 1 GOP PSC

BORN	Y	N	A
KURTZ	Y	N	A
ZIMMERMAN	Y	N	A
RODRIGUEZ	Y	N	A
DALLMAN	Y	N	A
HURD	Y	N	A
MCGUIRE	Y	N	A
ANDRACA	Y	N	A
MARKLEIN	Y	N	A
TESTIN	Y	N	A
WIMBERGER	Y	N	A
STAFSHOLT	Y	N	A
BRADLEY	Y	N	A
QUINN	Y	N	A
JOHNSON	Y	N	A
ROYS	Y	N	A

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