



Energy 201

The Value of Utility Regulation

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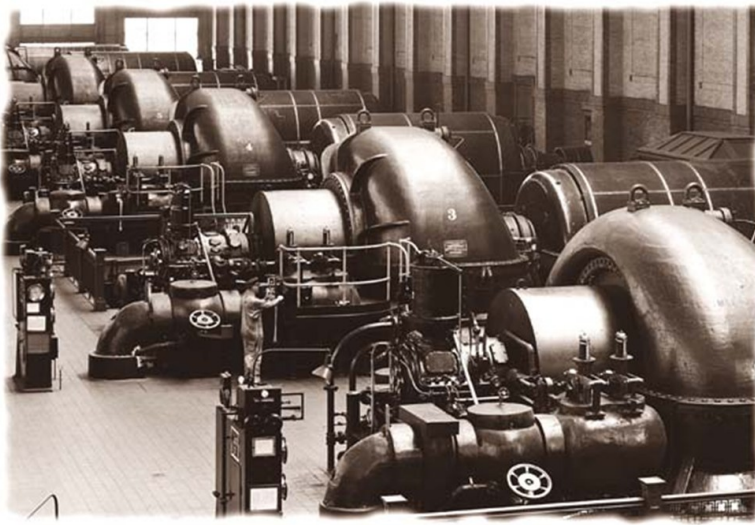
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WISCONSIN UTILITIES ASSOCIATION

Value of Regulation

Utility regulation plays a vital role in ensuring that essential services—electricity, water, and gas—are delivered safely, reliably, and affordably to Wisconsin residents. As a state with a mix of investor-owned, municipal, and cooperative utilities, Wisconsin’s regulatory

framework balances consumer protection, infrastructure investment, and environmental stewardship. This paper explores the value of utility regulation in Wisconsin by examining its historical context, core functions, and broader societal benefits.



Historical Context and Regulatory Framework

Wisconsin’s utility regulation dates back to the **1907 Public Utilities Law**, which shifted oversight from municipalities to the state, recognizing that competition among utilities often led to inefficiencies and unreliable service. In fact, prior to regulation, utilities sometimes duplicated each other’s infrastructure, making the system expensive, inefficient and chaotic. Today, the **Public Service Commission of Wisconsin (PSC)** oversees utilities, ensuring they operate in the public interest. The PSC regulates rates, service territories, infrastructure investments, and consumer protections. Utilities in Wisconsin are granted **monopoly status** within defined service areas, but in exchange, they are subject to rigorous oversight. This regulatory compact ensures that utilities cannot exploit their market position while also guaranteeing them a fair return on investment.



Core Functions of Utility Regulation



Ensuring Reliability and Safety

Regulators set performance standards and monitor service quality to ensure that utilities maintain reliable service. For example, electric and gas utilities must meet specific reliability metrics and conduct regular maintenance to prevent outages. Water utilities are subject to both state and federal standards, including those from the **EPA**, to ensure safe drinking water.

Rate Regulation and Consumer Protection.

The PSC reviews and sets utility rates to ensure they are **just and reasonable**, balancing affordability for consumers with financial viability for utilities. This process includes public hearings and detailed cost analyses. Without regulation, utilities could set

rates arbitrarily, potentially burdening customers.

Infrastructure Investment and Planning.

Regulation facilitates long-term planning and investment in infrastructure. Utilities must obtain PSC approval for major projects, such as power plants or transmission lines, ensuring that investments are necessary and cost-effective. This oversight prevents overbuilding and promotes efficient use of resources.

Value Added by Utility Regulators

Regulators provide value through five key deliverables:

- **Financial Stability:** Ensuring utilities can attract capital and maintain operations.
- **Efficient Management:** Encouraging utilities to operate cost-effectively.
- **Smart Energy Use:** Promoting consumer energy efficiency.
- **Predictable Rates:** Providing rate stability for consumers.
- **Fairness:** Balancing interests of investors and ratepayers.

These deliverables align with the principles that underpin modern utility regulation.

Economic & Environmental Benefits

Utility regulation supports infrastructure investment while preventing abuse of monopoly power. In Wisconsin, regulated utilities have invested in renewable energy and grid modernization, guided by PSC oversight.

This ensures that environmental goals are met without compromising service quality. Additionally,

the **EPA** notes that regulation enables states to align utility policies with broader environmental policy. For example, Wisconsin's PSC has supported programs that promote energy efficiency and low-income assistance.



Conclusion

Utility regulation in Wisconsin delivers significant value by safeguarding consumers, promoting efficient infrastructure investment, and supporting environmental goals. Through the PSC's oversight, utilities operate transparently and responsibly, ensuring that essential services remain accessible and sustainable. As energy systems evolve, the role of regulation will remain critical in balancing innovation with public interest.

Foundational Legislation

Wisconsin's utility regulation has evolved through several key legislative milestones that shaped how public utilities are governed. Here's a breakdown of the most influential laws and statutes:

1907 Public Utilities Law

- Established **state-level regulation** of utilities, shifting oversight from municipalities to the state.
- Created the **Railroad Commission**, which later became the **Public Service Commission (PSC)** in 1931.

Introduced the **regulatory compact**, granting utilities monopoly rights in exchange for public oversight.

📖 Core Statutes in Wisconsin Law

Chapter 196 – Regulation of Public Utilities

- Defines what constitutes a **public utility** in Wisconsin.
- Grants the PSC authority over:
 - Rate-setting
 - Service territories
 - Infrastructure projects
 - Consumer protections

Requires utilities to obtain PSC approval for major changes, including rate adjustments and construction projects.

Wis. Stat. §196.491 – Energy Facility Siting

- Governs the siting and approval of large-scale energy projects .

Assigns approval authority to the PSC for projects over **100 megawatts**, limiting local government control.

Wis. Stat. §66.0401 – Local Regulation of Renewable Energy

- Restricts local governments from placing undue burdens on renewable energy systems, which ensures that local ordinances do not significantly increase cost or reduce efficiency of these installations.

These laws and policies collectively ensure that Wisconsin's utilities operate in the public interest while adapting to modern energy challenges.

POWERING WISCONSIN

The Wisconsin Utilities Association

The WUA is a 501 (c) 6 non-profit organization that represents the investor-owned gas and electric utilities before the Wisconsin Legislature and regulatory bodies. WUA members provide safe, reliable and affordable electricity and natural gas services to approximately **80% of Wisconsin's energy customers**.

The WUA is committed to maintaining the customer-focused advantages of our regulated system, and, improving upon our utilities' excellent record of safe, reliable and affordable energy is the goal of all public policy positions we take. For a current listing of legislative items of interest to the WUA, see our FYI Issue Tracking Summary, here: [Wisconsin Utilities Association website](https://www.wisconsinutilities.org/fyi)

About our Members:



Our members serve **2,599,993** Electric Customers and **2,070,184** Natural Gas Customers across Wisconsin. They employ **7,688** Wisconsinites, spend about **\$38 million** annually with Minority Owned Businesses; **\$178 million** with Women Owned Businesses; and **\$11 million** with Veteran Owned Businesses.

WUA members pay about **\$499 million** in Gross Receipts and Property Taxes and hold Assets totaling approximately **\$70.78 Billion**. Our members contribute **\$42.5 million** annually to charity and provide Energy assistance of over **\$91 million**.