





THE COMING SURGE

When Wisconsin's Economic Future
Depends On Meeting Unprecedented Rise In Demand,
IS ENERGY AFFORDABILITY AT RISK?

By John Smalley

From the factory floor to the local grocery store and even at your own front door, change is coming to the energy landscape in Wisconsin.

Facing exponential growth in the ways in which we use and depend upon energy — and the resulting rising demand for access to natural gas and electricity in our state to provide that energy — both small and large users and providers are dealing with questions about cost and affordability.

The consumer questions — for industrial, commercial and residential users — are mostly straightforward: How am I going to pay this gas and electric bill? And what do I have to do to the rest of my budget to make that happen?

Meanwhile, in utility boardrooms around Wisconsin and particularly with the biggest players in the state — WE Energies, Alliant Energy, Xcel Energy and Madison Gas and Electric (MGE) — top leaders labor to answer these questions: How can we meet the coming surge in demand for energy? And how can we provide a cost structure that is as affordable as possible for our customers?



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■ An unprecedented surge in demand for power

While there is disagreement about specific tactics and strategies moving forward, one thing that everyone agrees on is that between the plans for multiple data centers being created around the state — driven by the rise of artificial intelligence and the associated heavy computing needs — and the continued growth of electric vehicles and other “electrification” efforts, the power demand in Wisconsin will soon reach levels not seen before.

Todd Stuart, executive director of the Wisconsin Industrial Energy Group (WIEG), advocates for lower energy costs and reliable and cost-effective gas and electricity on behalf of the state’s 25 largest energy users, such as paper mills, factories, foundries and other large-scale operations.

Stuart, who has been at the WIEG helm since 2006, said many of his members spend more than \$1 million a month on energy costs and collectively spend about \$500 million a year. WIEG’s role is largely to push for reliable and cost-effective natural gas and electricity.

Though overall energy use in Wisconsin has been relatively stable for many years — thanks in part to increased energy efficiency measures taken by homeowners, business owners and utility companies alike — Stuart points to the coming surge in demand.

“We’re at a bit of a crossroads,” Stuart said. “There are some very large data centers planned in Wisconsin and that makes some people nervous. There are a number of power plants being retired and there are a lot of concerns about reliability, based on increasing demand.

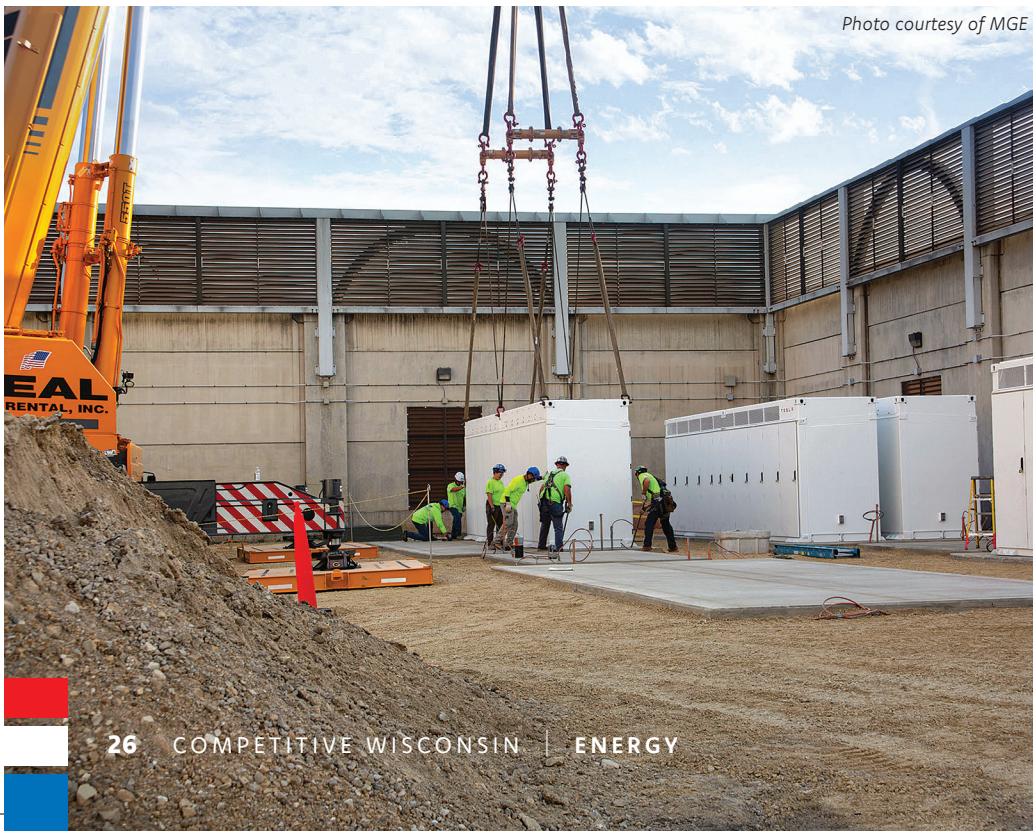
“For the first time in 20 to 25 years, we see demand going up,” Stuart said. He said the relatively flat energy use over the past couple decades in Wisconsin is due to the efficiency measures, along with growth in sustainable energy sources and the overall decline of manufacturing in Wisconsin in that timeframe, all of which tamped down on total energy needs.

That even-keel energy demand in the state “is about to change radically,” Stuart said.

The story is a similar one for Tom Content, the executive director of the Citizens Utility Board, or CUB. Content’s nonpartisan, nonprofit organization has been around for 45 years, advocating for lower costs with the Public Service Commission and others on behalf of ratepayers at the residential and small business level.

“There are concerns across the economy with rising costs and we’re seeing that in the energy space as well,” Content said. “We worry about the bifurcated economy — the haves and the have nots. And for those really struggling, it is getting worse.”

Photo courtesy of MGE



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Content said that historically Wisconsin has been a lower-cost energy state but that the Badger State now ranks 13th nationally and second in the Midwest in terms of energy rates.

Like Stuart, his counterpart at WIEG, Content said the combination of older, outdated power plants being taken offline, along with the simultaneous approval of new power generating operations that utilities say they need to meet increasing demand, has created a challenging environment on the current energy landscape.

The dilemma forms mainly around this key point: to meet increasing demands, utilities need to build newer, more efficient power plants. And the ratepayers — residential, commercial and industrial consumers — then face increased cost recovery from the utilities to fund the new generating plants and transmission services.

“There are a lot of forces at play to make things more unaffordable for the average person,” Content said.

The Public Service Commission (PSC), Wisconsin’s utility regulatory body, confirms the notion that

Wisconsin’s “peak load” demand will be rising soon. According to the PSC’s Strategic Energy Assessment (SEA) for 2024-2030, after about 5% reductions in peak demand for 2023 and 2024, an overall increase in peak demand of 14.8% is expected between 2024 to 2028 before demand levels off again.

According to the SEA, since about 2018, Wisconsin’s annual peak demand ranged from 13,500 megawatt hours of energy to 15,000 megawatt hours. In 2025, that number is expected to increase by 4.26%, followed by percentage increases 2.57 in 2026, 3.96 in 2027 and 9.74 in 2028. The peak demand is then expected to level off at about 17,000 megawatt hours in 2029 and 2030.

■ A look at utility and consumer costs

According to the federal Department of Energy (DOE), Wisconsin ranks second among 12 Midwest states in the residential cost of electricity and third among those same dozen states in terms of electric rates for industrial users.

As of December 2024, the DOE placed Wisconsin’s residential cents per kilowatt hour rate at 17.22 cents, behind



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only Michigan at 19.29 cents per kilowatt hour. The least expensive state in the Midwest for residential rates is North Dakota at 11.49. The overall Midwest rate is 14.64 and the overall national rate is 16.48 cents per kilowatt hour.

However, the PSC’s annual analysis points out that Wisconsin’s residential customers still pay less on their monthly bills than do neighboring states or the rest of the nation. In 2022, the average residential monthly bill was \$106.24 in Wisconsin, \$118.65 in the Midwest and \$135.25 across the nation.

“Our rates are higher here but we’re paying less than our neighbors on our average household bills,” said Matt Bromley, director of stakeholder engagement for Focus on Energy, a statewide energy efficiency and renewable resource program funded, as required by state law, by Wisconsin’s investor-owned energy utilities and other participating municipal and electric cooperative utilities.

“That has a lot to do with energy efficiency efforts in our state and the fact that Focus on Energy has been around for 25 years,” Bromley said.

The rate story is similar on the industrial side, though the numbers bunch a little closer together. In industrial cost per kilowatt hour, Wisconsin ranks third at 8.52, behind Illinois (9.16) and Minnesota (9.14). Iowa is the least expensive state in the Midwest for industrial electric rates at 6.85 cents per kilowatt hour. The overall Midwest rate for industrial users is 8.00 and the national industrial rate is 8.15.

Jeff Keebler, MGE’s chairman, president and chief executive officer, points out that in the PSC regulatory

process, two steps are performed to determine customer rates: a cost-of-service study — determining first how large the “cost recovery pie” will be and how much of the various costs to allocate to various customer types — followed by developing a rate design for each customer class.

We start with a process to determine what it will cost us to serve our customers, which is audited by the PSC and reviewed by other intervenors, such as CUB and WIEG. Because many costs are fixed in nature, more usage will generally lead to lower rates for customers. As a result, “We are different than every other business out there,” Keebler said. “More demand for electricity does not mean more money for us. That is not how regulation works.”

■ Comparisons among states are difficult

While advocates point to above-inflation requests for rate increases by the utilities in the current cases before the PSC, Keebler said two factors need to be considered when considering the fairness of the rate proposals.

“Historically, at MGE we have been under the rate of inflation by about 1.1 percent a year over the last 10 years,” he said. Further, Keebler points out that the “wallet share” number — the percentage of income that customers pay for utility bills — has been going down for the past 10 years.

The PSC’s Strategic Analysis confirms Keebler’s point: The total revenue requirements for the state’s largest utilities have been just over 1% between 2013 and 2022.

State-to-state comparisons regarding utility rates can also be difficult, Keebler said, because the cost recovery

methods used by the regulators in each state are different. “It’s not really apples to apples,” he said. “Other states have more balanced recovery plans between fixed costs and variable costs. Instead of rates, we tend to focus on customer bills. That is what a customer really cares about.”

Meanwhile, data from a national online poll in late March 2025 done by a relatively new consumer education nonpartisan, nonprofit organization, called PowerLines, shows 73% of respondents are concerned about their gas and electric bills rising this year, with 80% saying they feel powerless over how much they are charged.

In further findings, 64% said their monthly utility bills have increased from a year ago, while 63% report added financial stress from utility bills. In an open-ended question, 9 in 10 respondents could not correctly name the regulatory body that sets utility rates in their state.

■ Efficiency and engineering likely to play an important role in managing costs

For fourth-generation grocer Carl Miller — who operates two 50,000-square-foot grocery stores, one in Verona and one in Mount Horeb — gains in efficiency and engineering have been a game changer.

“We upgraded our compressors and refrigeration and all of our lighting has been upgraded, too,” Miller said. “That really cut back our use of power. The equipment is

all so much more efficient now. At both stores, we keep upgrading that stuff constantly.

“We cut our light bill dramatically in the last 10 years. LED lighting is the big thing and about 90 percent of our lighting is now LED.”

The 72-year-old Miller — who was the Wisconsin Grocers Association “Grocer of the Year” in 2023 — said the utility bills at his stores, where he employs about 350 people, run about \$25,000 a month, which is one of the higher costs in his business budget.

Miller said technology and efficiency improvements have allowed him to change from running 25 compressors years ago to now operating only 12 compressors. “They run as a system now,” he said. “The engineers changed it all. They know how to save you money.”

Among other resources, Miller worked with Focus on Energy to find energy savings in his grocery stores.

“We do a lot of work with grocery stores,” said Bromley of Focus on Energy.

Bromley said Miller’s experience with savings on lighting efforts is not unique. “Lighting has really been the driver for energy efficiency efforts, both for non-residential and residential,” Bromley said. “That’s really low-hanging fruit for a lot of people, because it’s relatively easy to swap out lighting.”

Miller said his company experienced a stretch of



power outages years ago due to a variety of circumstances, including outdated power lines. How did they manage? “We prayed that they’d get it fixed,” he said. “We have generators in place now.

“To me, the electric company service is cheap when you think about what can happen when you don’t have it.”

■ Regulators, nongovernmental organizations and utilities support those in need

Fortunately, for those challenged by increases in their utility bills, there is a safety net of resources in place in Wisconsin that offer help.

For starters, most of the utility companies in the state offer deferred payment programs to customers with



Photo courtesy of Xcel Energy

financial need and at times will even forgive portions of a customer’s bill. “We tell customers all the time, just call us, we can help,” said MGE’s Keebler.

Meanwhile, the PSC annual report points out that actual disconnections of utility services due to non-payment represent a miniscule number of cutoffs when compared to the hundreds of thousands of disconnection notices sent to customers each year.

There are numerous organizations that support ratepayers small and large, with Focus on Energy leading the way on creating energy efficiencies for residential and small-business customers.

Focus on Energy also partners with 108 public utilities in Wisconsin, using pass-through money that the utilities collect through small charges on each monthly utility bill to provide financial support for energy efficiency improvements at the residential and small-business level.

Utilities are required to contribute 1.2% of their annual operating revenues to create the Focus on Energy annual budget, which is about \$100 million a year. With that money, Focus worked with about 350,000 clients in 2023, the vast majority of which were residential customers, with about 5,000 of those representing small businesses and other nonresidential customers.

Along with the funds collected by the utilities, Focus on Energy also receives federal funding as part of its mission to reduce expenses for those doing weatherization projects and other heating and cooling improvements, including a “Free Pack” that includes such things as LED light bulbs, weather stripping for doors, insulation for windows and other similar items at no cost to customers.

“We have seen a steady increase [in requests] every year on the residential side,” said Ron Giordan, a spokesman for Focus on Energy. “We’ve seen more people taking part in the Free Packs.”

■ Additional resources from the state

In addition, the state’s Division of Energy, Housing and Community Resources (Division) offers several assistance programs for Wisconsin energy users.

The Wisconsin Home Energy Assistance Program (WHEAP) helps with electric and heating costs for eligible applicants; the Weatherization Assistance Program provides energy efficiency improvements to eligible applicants; and the Home Energy Plus Program Services offers HVAC repairs and replacements, water heater repairs and replacements and water conservation measures to eligible applicants.

Utility support payments can be as low as \$30 or as much as \$2,000, depending on the customer and the need, but most are in the \$100 to \$300 range and the payments are sent directly to the utility company.

Jennifer Heaton-Amrhein, who manages WHEAP as part of the Division within the state’s Department of

As the demand for energy climbs, Wisconsin's energy consumers, the state's 100-plus utility companies and state regulators need to continue to work together on the affordability puzzle.

Administration, said the grants to utility customers are on the rise, noting that the average benefit for heating was \$315, compared to an average of \$368 so far this year. For electricity, last year the average benefit was \$217 and this year it is \$227.

“Given the overall cost of living, I think people are just more stressed today,” she said. “We’re able to provide a little bit of stress relief for people.”

For households whose income does not exceed 60% of the statewide median income — about \$37,000 for a household of one and \$70,641 for a household of four — the Division offers a weatherization program that works with 17 local partners around the state, and a newer program that supports replacement of outdated or unsafe heating and cooling systems.

In 2024, those programs helped about 190,000 Wisconsin households receive some level of financial support. Historically, between 5,000 and 6,000 households take advantage of the weatherization programs offered by the Division.

Jeff Heino, director of the Division, noted that “Wisconsin is known as one of the national leaders in energy assistance and weatherization projects,” Heino said. “We are viewed as national leaders and our staff is often involved in national work groups.”

■ Charting the path forward

As the demand for energy begins a four-year climb in 2025 and users and providers alike focus on navigating the effects of that rising demand — largely fueled by new data centers and continued electrification efforts on many fronts — Wisconsin's energy consumers, the state's 100-plus utility companies and state regulators need to continue to work together on the affordability puzzle.

Focus on Energy's Bromley points out that his organization was born during some crisis moments on Wisconsin's energy landscape.

“We were having issues with the power supply about 25 years ago,” he said. “Out of that, energy efficiency was seen as a tool in the toolbox. ... And now, as the state grapples with meeting huge power loads, energy efficiency plays a crucial role.”

For MGE's Keebler, the cost recovery formula is a key part of the affordability mix. He advocates that utility companies should be able to recover more of their fixed costs through fixed components of the bill. This approach makes customer's bills more predictable and better matches the cost with the use of energy.

“We hear from our customers that low costs are important and so are predictable bills.

“The flip side is that we do need to invest heavily in assets, because we need clean power and increased capacity,” Keebler said. “And when you are adding or replacing energy generation, there is a cost.”

For CUB's Content, the path forward is about planning and balance. “We need a better planning process on how to get from Point A to Point B,” he said.

“Most states have tools in place to guide their planning so that regulators have a bigger role in providing affordability for customers,” Content said. “We need more balance between supply and demand. The technology is advancing in this area and it is all connected to planning.”

And, finally, for those in need, sometimes accessing help is simply a matter of awareness of the resources available.

Heaton-Amrhein and Heino point out that even with nearly 200,000 households served each year, the Division is reaching only about one-third of the eligible population.

“We'd love to have everyone who is eligible apply,” Heino said. “We do outreach to try to make sure that everyone who needs the program is covered.” ●

John Smalley was the editor of the Wisconsin State Journal from 2008 to 2020.