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A rule meant to protect you may discourage WI data centers, jobs | Opinion

What should be a straightforward safeguard risks becoming a barrier that discourages qualified companies from choosing Wisconsin, risking future jobs, tax base growth and economic opportunity.

Dale Kooyenga Special to Milwaukee Journal Sentinel

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Wisconsin has something many states envy: economic momentum. Major investments in advanced manufacturing, energy and digital infrastructure are strengthening communities, expanding local tax bases and positioning the state for long-term growth. These are the kinds of transformative projects economic developers spend years — even decades — working to attract.

That's why it would be a mistake to let a technicality stand in the way of continued progress.

The [Public Service Commission](#) (PSC) got the most important question right when establishing its new data center rate: the companies driving these projects should bear the full cost of the infrastructure needed to serve them, ensuring Wisconsin families and small businesses are not left with the bill.

But an overlooked change to the financial-security requirements could have unintended consequences. What should be a straightforward safeguard risks becoming a barrier that discourages otherwise qualified companies from choosing Wisconsin, putting future jobs, tax base growth and economic opportunity at risk.

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Will AI data centers raise Wisconsin electric rates? No.

As [data center development](#) accelerates, many Wisconsinites understandably wonder whether it will raise electric bills. The answer is no. The PSC's new rate requires developers such as those in [Mount Pleasant](#) and [Port Washington](#) to pay the full cost of the energy infrastructure they require. In many cases, those companies are also helping fund next-generation power resources, expanding Wisconsin's energy capacity without shifting costs onto other ratepayers.

The Commission deserves credit for approving a [rate that isolates the cost of servicing this new technology](#) to the companies investing. The rate is a model for other utilities, protecting ratepayers while supporting economic growth.

To ensure very large customers can pay, the new data center rate requires them to post financial security, a binding guarantee that ensures the utility, and therefore other ratepayers, won't be left footing the bill if the project is canceled. The original rule, negotiated over many months, set the amount and type of security required based on a company's credit rating.

A BBB rating is already above what is considered "investment-grade" by the entire financial system. A BBB- credit rating is the line that pension funds and insurance companies use to decide whose debt is safe to hold. Even the [State of Wisconsin Investment Board](#), which manages the most respected pension fund in the nation, managing the retirement savings of hundreds of thousands of nurses, teachers, firefighters and other public employees, uses BBB- as its investment-grade floor.

PSC decision biggest job killing technicality in Wisconsin history

At the last minute, the Commission raised the bar for prospective customers from BBB (better than investment grade) to A- and removed the utility's ability to make any exception. This action could be the most consequential job-killing, tax-base-reducing technicality in Wisconsin history, costing ratepayers, the Wisconsin workforce (especially the unionized workforce) and property taxpayers tens of billions.

Only three Wisconsin-headquartered companies, and about 150 of the S&P 500, carry a rating of A- or better. Everyone else, including financially solid, investment-grade firms, would have to lock up the entire security amount in cash or a letter of credit — often hundreds of millions of dollars frozen for the life of the contract and beholden to bank fees that whole time. This is on top of payments these large customers will pay to run their operations.

Opinion: Smartphones are creating increasingly isolated students

The money tied up in financial security could otherwise be used for construction costs, hiring workers and funding apprenticeships. Parking it doesn't make the project safer; it makes the project less likely to happen in Wisconsin at all. It serves as a penalty for choosing our state over Michigan, Minnesota or Ohio.

The fix is simple and already before the Commission. Rather than an all-or-nothing requirement, financial assurances would scale with credit quality, combining parental guarantees, cash security and corporate guarantees as needed. The result is greater protection for ratepayers without shutting the door on investment and job creation.

Wisconsin has worked for years to be competitive. A credit-rating footnote in a Commission order — well-intentioned, but unsupported by the evidence — will decide whether the next generation of investment, and the jobs that come with it, lands in Wisconsin or passes it by.

The Commission should reopen this decision and adopt the graduated standard. Wisconsin's economic future is worth getting this detail right.

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