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PUBLIC SERVICE COMMISSION OF WISCONSIN

Quadrennial Planning Process II	5-FE-100
Investigation into Improving Access to the Statewide Energy Efficiency and Renewable Resource Programs in Rural Wisconsin that are Underserved by Broadband Service Providers	5-FE-102

INTERIM ORDER

This is the Interim Order addressing several issues affecting Focus on Energy (Focus) that were included in the Quadrennial Planning II Process in docket 5-FE-100 and arising from the Commission's investigation into improving access to statewide energy efficiency and renewable resource programs in rural Wisconsin in docket 5-FE-102.

Procedural History

The Commission is required to, among other statutorily identified tasks, "[a]t least every 4 years, . . . evaluate the energy efficiency and renewable resource programs." Wisconsin Stat. § 196.374(3)(b)1. Between 2014 and 2016, in docket 5-FE-100, the Commission has made several decisions in the second Quadrennial Planning Process covering the period 2015-2018 (Quadrennial Planning II). These decisions have set and revised program goals, priorities, and measurable targets; allocated and re-allocated funds for specific programs; reviewed and revised methods for assessing the cost-effectiveness of Focus programs; and approved or modified specific program offerings.[1] Consistent with its statutory obligations, the Commission's review of these issues is ongoing, and the Commission has continuing authority under Wis. Stat.

[1] *See* PSC REF#: 215245, PSC REF#: 218476, PSC REF#: 225109, PSC REF#: 232431, PSC REF#: 269115, PSC REF#: 276273, PSC REF#: 279739, PSC REF#: 285314.

§ 196.39 to amend or modify its prior decisions after notice and opportunity to be heard. Clean Wisconsin, Citizens Utility Board (CUB), and RENEW Wisconsin (RENEW) intervened and have participated in docket 5-FE-100. Other parties and interested persons and organizations participating in the Quadrennial Planning II are identified in the Commission's files in docket 5-FE-100.

In conjunction with the Commission's obligations to continually evaluate the Focus programs, Wis. Stat. § 196.374(5m)(b) requires that the Commission ensure "that customers throughout the state have an equivalent opportunity to receive the benefits of" statewide energy efficiency and renewable resource programs. Wisconsin Stat. § 196.374(2)(a)2.c. also requires that the statewide programs include "[i]nitiatives and market strategies that address the needs of individuals or businesses facing the most significant barriers to creation of or participation in markets for energy efficient products that the individual or business manufactures or sells or energy efficiency services that the individual or business provides." Wisconsin Stat. § 196.374(3)(b)1. further requires that the Commission give "priority to programs that moderate the growth in electric and natural gas demand and usage, facilitate markets and assist market providers to achieve higher levels of energy efficiency, promote energy reliability and adequacy, avoid adverse environmental impacts from the use of energy, and promote rural economic development."

Wisconsin Stat. § 196.374(3)(a)[2] recognizes the importance of coordination with programs within Focus, as well as coordination between Focus and other state programs. In 2013, the state enacted Wis. Stat. § 196.504, creating the Broadband Expansion Grant program, to improve the availability of broadband communications service throughout the state. The purpose of the broadband grant program is to promote the deployment of broadband infrastructure in underserved areas[3] by making grants to eligible applicants to offset the construction costs of the broadband network. The Commission is required to administer this program by, among other tasks, making broadband grants available to eligible participants.[4] In addition to Wisconsin's Broadband Expansion Grant program, the federal government's Connect America Fund (CAF) is designed to support the expansion of broadband service in underserved areas, through two separate funding mechanisms: (1) the Connect American Fund II (CAF-II) programs, which will provide more than $570 million in subsidies to Wisconsin price-cap telecommunication providers through 2020; and (2) the Alternative Connect America Cost Model (ACAM), which will provide $1 billion nationwide to smaller, rural rate-of-return service providers over the next 10 years.

[2] "The commission shall maximize coordination of program delivery, including coordination between programs under subs. (2) (a) 1., (b) 1. and 2., and (c) and (7), ordered programs, low-income weatherization programs under s. 16.957, renewable resource programs under s. 196.378, and other energy efficiency or renewable resource programs. The commission shall cooperate with the department of natural resources to ensure coordination of energy efficiency and renewable resource programs with air quality programs and to maximize and document the air quality improvement benefits that can be realized from energy efficiency and renewable resource programs."

[3] Wisconsin Stat. § 196.504(1)(b) defines "underserved" to mean an area of the state "served by fewer than 2 broadband service providers." This definition is most commonly met in the most rural areas of the state where low population density limits the number of available customers while increasing the costs of installing and maintaining broadband infrastructure.

[4] Since enactment, the Commission has awarded $3,920,000 in broadband grants to 42 applicants. The grant projects are located in 28 different counties across the state.

In fulfillment of these statutory directives and to examine potential synergies between Focus and other state programs, the Commission opened an investigation on September 1, 2016, to investigate improving access to Focus programs in rural areas of the state that are underserved by broadband service providers. This investigation was to consider the development of new programs designed to improve energy efficiency and facilitate access to and participation in markets for energy efficiency products to achieve higher levels of energy efficiency, and to promote rural economic development in these rural areas. The Commission's Notice of Investigation provided notice of the Commission's intent to examine how greater access to broadband could improve the opportunity and ability of rural electric customers to participate in statewide energy efficiency and renewable resource programs, and how any such programs could be funded. (PSC REF#: 290951.) More than 50 parties intervened in this docket.[5] (PSC REF#: 292282.) Other parties and interested persons and organizations participating in this investigation are identified in the Commission's files in dockets 5-FE-100 and 5-FE-102.

[5] Clean Wisconsin, RENEW, Full Spectrum Solar, North Wind Renewable Energy, Able Energy Co., Synergy Renewable Systems, Kathryn Kuntz, Midwest Renewable Energy Association, Project Home, Inc., American Council for an Energy-Efficient Economy (ACEEE), Eland Electric Corporation, Ethos Green Power, Wisconsin Paper Council (WPC), U.S. Green Building Council, Sun Peak, Wisconsin Farmers Union, Wisconsin Society of Architects, Inc., Midwest Solar, LLC, Appleton Solar, LLC, Rebate Tools, LLC, Climate Change Coalition of Door County (CCCDC), City of Milwaukee, Juhl Energy, Inc., Chippewa Valley Affordable Solar, Virge Temme Architecture, Organic Valley/CROPP Cooperative, Integrated Energy Services, LLC, Hot Water Products Inc., Titus Energy, Inc., Ring & Duchateau, CUB, Wisconsin Industrial Energy Group (WIEG), Convergence Energy LLC, WPPI Energy, RePower Madison, Energy Concepts, Inc., DVO, Inc., Wisconsin Power and Light Company (WP&L), City of Stevens Point, Robert H. Owen, Current Electric, Wisconsin Electric Power Company, Wisconsin Gas Company, Wisconsin Public Service Corporation, Unlimited Renewable Energies, Wisconsin Council of Churches, Madison Gas and Electric Company (MGE), Interfaith Earth Network of Southeast Wisconsin, Sierra Club, Northern States Power Company-Wisconsin (NSPW), Customers First! Coalition, and Dairyland Power Cooperative (DPC).

Dockets 5-FE-100, 5-FE-102

On October 6, 2016, all parties in dockets 5-FE-100 and 5-FE-102 and other interested persons and organizations were served with a copy of a Commission Agenda memorandum, dated October 6, 2016, and provided notice and an opportunity to be heard on a variety issues addressed in that memorandum. (PSC REF#: 292768, PSC REF#: 292767.) In connection with matters associated with the Quadrennial Planning II, the memorandum summarized the status, solicited comments, and provided alternatives for the Commission's consideration of the following previously authorized Focus programs: EnerNOC behavioral pilot; Renewable Energy Loan (RLF) program; and anaerobic digesters. The memorandum also summarized the results of the Commission's investigation in docket 5-FE-102 and inquired whether the Commission should authorize the Focus Program Administrator, Chicago Bridge & Iron (CB&I), to develop new Focus programs for rural areas and solicited guidance on program design. Finally, the memorandum reviewed a number of items relating to program funding for any new or existing Focus programs, including allocation of previously unallocated funds, the appropriate target for the designated fund proposed by the State Energy Efficiency and Renewables Administration (SEERA), and the allocation of 2015 carryover funds in 2017 and 2018.

Comments on the Commission's memorandum, dated October 6, 2016, were received from numerous parties and other interested persons and organizations.[6] The Commission discussed this matter at its open meeting of October 20, 2016.

Quadrennial Planning II Programmatic Decisions, Docket 5-FE-100

EnerNOC's Behavioral Pilot

In its Final Decision of September 5, 2014 (PSC REF#: 215245), the Commission found it reasonable to use Focus funds for behavioral pilot projects during the quadrennium, and ordered that proposed behavioral program design receive Commission approval in advance of implementation. In a Commission staff memorandum of March 29, 2016 (PSC REF#: 284345), Commission staff presented a proposal from CB&I to implement Energy Check, a pilot behavioral program for small- and medium-sized business customers of Wisconsin Power and Light Company (WP&L). The proposed program was to be implemented in partnership with WP&L and the private firm EnerNOC, using a platform EnerNOC had already implemented in several other jurisdictions throughout North America. In its Final Decision of April 27, 2016, the Commission approved the proposal and ordered CB&I "to "implement the . . . Energy Check program as a Focus behavioral pilot." (PSC REF#: 285314.)

[6] *See* Astro Industries (PSC REF#: 293002); City of Milwaukee (PSC REF#: 293026); Clean Wisconsin (PSC REF#: 293041); Gundersen Health System (PSC REF#: 293005); DVO, Inc. (PSC REF#: 292972); AIA Wisconsin (PSC REF#: 293020); Wisconsin Council of Churches (PSC REF#: 293021); CCCDC (PSC REF#: 293000); Customers First! Coalition (PSC REF#: 293007); DPC (PSC REF#: 293037); WIEG and WPC (PSC REF#: 293030); WPPI Energy (PSC REF#: 293025); NSPW (PSC REF#: 293022); Appleton Solar (PSC REF#: 293018); CUB (PSC REF#: 293031); Joint Comments—Renewable Energy Incentives—41 organizations, businesses and parties (PSC REF#: 293028); K. Kuntz (PSC REF#: 293001); MGE (PSC REF#: 293029); B. O'Neal (PSC REF#: 293045); ACEE (PSC REF#: 293017); Integrated Energy Services, LLC (PSC REF#: 292990); RENEW (PSC REF#: 293038); RePower Madison (PSC REF#: 293036); Environmental Law & Policy Center (PSC REF#: 293033); Titus Energy (PSC REF#: 293044); U.S. Green Building Council (PSC REF#: 293039); and WP&L (PSC REF#: 293032).

Since the Commission authorized the implementation of this pilot, there have been several developments that make continued pursuit of the pilot through EnerNOC impracticable. Notably, staffing changes at EnerNOC and its decision to sell the division responsible for implementing Energy Check have impeded progress and created uncertainty. As a result, the Commission concludes that it is reasonable for CB&I not to implement the Energy Check program, but to continue to work with Commission staff and utility partners to pursue alternative opportunities for behavioral programming within the Focus portfolio to identify future programming options during the remainder of the quadrennium. Any future options identified shall be brought before the Commission for prior approval, consistent with its Final Decision of September 5, 2014.

Renewable Energy Loan Program

The Commission's order in docket 5-FE-100, served November 21, 2014, addressed funding for renewable energy programs. (PSC REF#: 225109.) The Commission determined that $10 million of undesignated funds should be set aside for the creation of a RLF, with $2.5 million allocated to the program in each of the four years of the quadrennium. The Commission capped administrative expenses associated with the RLF at $100,000 per year. In addition, $5 million and $3.5 million were made available for renewable energy incentives in 2015 and 2016, respectively. The Commission also directed CB&I to report back to the Commission in mid-2016 on the status of the loan program in order for the Commission to evaluate the program's effectiveness to date and to determine whether Focus should retain the combined loan and incentive program, transition to offering only loans for renewable technologies, or otherwise amend the existing program.

The RLF was launched on January 1, 2016. As of September 30, 2016, the program has financed a total of 14 loans totaling $427,859, with another 27 loan reservations pending, or in discussion, which total $1,638,001. After adding in administrative costs of $200,000, spending to date has totaled $2,265,860, leaving a fund balance of $7,734,140. While the RLF program had some initial success in its first six months, some ongoing challenges have been identified which have impeded widespread acceptance of the RLF program and its uptake. (PSC REF#: 292767, at 28-29.) A lack of education about the program, administrative burdens and costs, low interest rates, and a lack of financial incentives for lenders have all contributed to the RLF not being as successful as the Commission had hoped.

In contrast to the RLF, however, the previously authorized renewable incentives have been extremely popular. Renewable incentives for business programs have historically been distributed via the Renewable Energy Competitive Incentive Program (RECIP). RECIP awards incentives through a bidding process in which customers submit project proposals outlining costs and proposed savings, and Focus staff selects the proposals that rank most highly on cost-effectiveness, savings, and other criteria. The last RECIP request for proposal (RFP) was in 2015, and the demand was high, with over 90 applicants requesting $7.6 million. Ultimately, 52 projects were funded for a total of just over $3.8 million resulting in forecasted lifecycle Million British Thermal Units (MMBtu) savings of 1,230,574.

Since 2012, the Residential Rewards Program Implementer has offered incentives for small solar and geothermal projects to both residential and small business customers. These prescriptive incentives are awarded based on the size of the system and are capped at $2,400 per project. Since 2012, incentives totaled over $1.1 million, resulting in forecasted lifecycle

MMBtu savings of 175,830 for residential renewables and 15,411 for business renewables. The 2016 program year is on pace to exceed spending compared to previous years, and the full incentive budget amount was committed as of late September 2016.

In light of the obstacles and lack of widespread uptake of the RLF and the continued high demand for and success of renewable incentives, the Commission finds that it is reasonable to discontinue the RLF and instead use the remaining balance in the RLF of approximately $7.7 million for renewable incentives in 2017 and 2018. Commission staff and CB&I shall provide a proposal to the Commission as to appropriate incentive levels considering past history and relevant historical developments. Commission staff and CB&I shall also recommend an appropriate allocation of these incentives between business and residential customers. These proposals shall be returned to the Commission for final action no later than 30 days from the effective date of this Interim Order.

Anaerobic Digesters

In its Final Decision of September 5, 2014, the Commission ordered CB&I to allocate $6.4 million to facilitate the development of anaerobic digesters to produce biogas for electricity generation on small- to medium-sized farms. Although the majority of the state's dairy cows are located on approximately 12,000 small- to medium-sized farms throughout the state, digesters have only been successfully installed on larger farms that face fewer barriers to successfully operating and maintaining the digesters and associated electricity production equipment.

CB&I sought to design a program that could effectively address key barriers and better promote biogas production using digesters on small farms, while also recognizing the unique risks the technology presents to those customers. CB&I's final program design used the existing approach used for the Focus RECIP, whereby CB&I released a RFP, and projects are selected for funding through a competitive scoring process. Seven proposals were submitted, requesting total funding of $2.8 million. Six projects were proposed by a single vendor, and one was proposed by a second vendor. However, each of these proposals had deficiencies, primarily insufficient information to verify that the proposed systems would meet the RFP's performance criteria, and CB&I ultimately determined that none of these proposals could meet the minimum requirements of the RFP. Commission staff reported that it did not anticipate that a second RFP would yield different results.

Although the anaerobic digester program focuses solely on individual small- to medium-sized farms has not been successful, the Commission continues to believe that anaerobic digesters and a market for the biogas as a renewable alternative to natural gas for home or industrial use are promising. In addition to these benefits, anaerobic digesters can address other challenges facing the state of Wisconsin such as manure management and water quality, and may also promote economic development in rural communities.

Accordingly, the Commission finds continued value in an anaerobic digester program. Instead of focusing on individual farms, an approach that is built around the concept of concentrating biogas production by bringing together large and small farms in the same area to achieve economies of scale in biogas production may prove to be more successful. This scale allows more professional management of the digesters, more markets for the product and the option of changing products to meet future markets.

The Commission finds that it is reasonable to establish an inter-agency working group led by the Executive Assistant to the Chair and to require CB&I to work with that group to develop and release another RFP for anaerobic digesters without the small to medium farm size limit. In addition, this group should look at options to make existing digesters more viable. These proposals shall be returned to the Commission for final action no later than 30 days from the effective date of this Interim Order. Given the potential larger scale of the potential pilots, the Commission finds that it is also reasonable to increase the funding for the anaerobic digester program from funds that will be made available for the rural programs as authorized by this Interim Order and discussed more fully below.

Rural Programmatic Decisions, Docket 5-FE-102

As previously noted, the Commission has the statutory obligation to ensure “that customers throughout the state have an equivalent opportunity to receive the benefits of” statewide energy efficiency and renewable resource programs. Wisconsin Stat. § 196.374(5m)(b). Several challenges make it more difficult for Focus to deliver services in more rural areas of the state, including those parts of the state that are underserved by broadband providers. Areas with low population density typically have fewer service contractors, limiting Focus’ ability to cultivate a base of affiliated contractors who can help market and deliver Focus services. Service to rural areas can often be costlier, due to factors such as increased travel requirements. Marketing and outreach can also be less effective and higher in cost, due to lower media saturation in those areas–including insufficient access to high-speed internet that could help support effective online advertising and social media campaigns.

Additional challenges specific to the Focus program also contribute to the difficulty of serving rural areas. First, Focus is funded solely by electric and natural gas utilities, and therefore does not offer measures to reduce the use of fuels many customers in rural areas use in lieu of natural gas, such as propane or heating oil. While most customers who use those other fuels remain eligible for Focus as customers of participating electric utilities, those customers may only receive Focus incentives and support for achieving electric savings. Second, a number of electric cooperatives who serve rural customers do not currently participate in Focus programs. Under Wis. Stat. § 196.374(7)(a), municipal utilities and retail electric cooperatives must collect an annual average of $8 per meter for energy efficiency programs. The monthly fee may not exceed 1.5 percent of the total of every other charge for which the customer or member is billed for that month or $375 per month, whichever is less. Each municipal utility or retail electric cooperative can choose to send the dollars collected to the Focus fund or keep them and operate its own Commitment to Community (CTC) programs. At present, all 82 municipal utilities in Wisconsin and 11 of the 24 electric cooperatives in Wisconsin participate in Focus. Customers of the 13 electric cooperatives who do not contribute funds to Focus are not eligible for Focus programs.

To assess and address any potential disparities in the receipt of Focus benefits in rural Wisconsin, in particular rural parts of the state that are underserved by broadband, the Commission initiated an investigation in docket 5-FE-102. To document the level of service in certain rural areas identified as underserved and slated to receive benefits under the federal CAF-II and ACAM program, Commission staff collected address data for all Focus participants in 2014 and 2015, mapped those addresses to census blocks, and compared Focus participation in census blocks served by CAF-II and ACAM to census blocks elsewhere in the state. The analysis focused on participation in Focus programs for single-family residential homes, in part because comparing participation in Focus business programs can be heavily affected by the location of a limited number of large energy customers who receive large incentives. Census blocks identified as served by nonparticipating cooperatives, which encompass about 7 percent of total statewide population, were excluded from the analysis.

As shown in Table 1, the areas served by CAF-II and ACAM account for 8.9 percent of the Wisconsin population eligible for Focus programs, but received 5.3 percent of total single family residential incentives in 2014 and 2015. Those in CAF-II and ACAM territory received $2.75 in incentives per capita, compared to $4.83 per capita elsewhere in the state.

Table 1 – 2014-2015 Focus Residential Single Family Participation in CAF-II/ACAM Service Areas, Excluding Areas Served by Nonparticipating Electric Cooperatives

	CAF-II/ACAM Service Areas	**Rest of State**
Population (2010 Census)	470,459	4,804,832
Percentage of Population	8.9%	91.1%
Focus Incentives Received	$1,293,762	$23,221,174
Percentage of Incentives Received	5.3%	94.7%
Incentives per Capita	$2.75/person	$4.83/person

These figures do not reflect one recent step Focus has taken to increase participation from rural residential customers. In January 2016, Focus replaced its Express Energy Efficiency Program, which targeted residences in population centers, with a Simple Energy Efficiency program, which ships a free, energy-savings package to residential customers anywhere in the state. Customers can obtain the incentives by calling a toll-free number or may directly order the energy-savings package online. While this may increase rural participation starting in 2016, Simple Energy Efficiency accounts for less than 10 percent of the Focus residential program budget, and the majority of the customers are likely to access the program online.

Commission staff's investigation in docket 5-FE-102 confirms that there are barriers to the creation and participation in markets for energy efficiency products and services in rural areas of the state that are underserved by broadband. The Commission believes, as recognized by the Federal Communications Commission (FCC) National Broadband Plan, that broadband can play an important part in promoting energy efficiency.[7] In light of the challenges rural customers face in receiving equivalent access to energy efficiency programs, and the role broadband may play in removing some barriers to access and participation, the Commission finds that it is reasonable to direct the development of additional Focus programs for rural Wisconsin that would support more equitable distribution of Focus benefits throughout all areas of the state, and also be designed to seek the additional benefits through the support of increased access to broadband services by tying the use of the internet to increased energy efficiency measures, incentivizing broadband providers to market Focus programs along with new or upgraded service, and providing programs to promote increased energy efficiency in the build-out of rural broadband service.

The Commission previously ordered that a Smart Thermostat program be implemented on a small scale for one year and limited to two utility service areas representing a diverse group of customers (such as both urban and rural). (PSC REF#: 269115.) After the pilot operated for nine months of its one-year duration, the Commission declined to offer incentives on smart thermostats statewide. (PSC REF#: 285314.) However, the Commission recognizes that smart thermostats, in conjunction with the development of other rural programs, may improve

[7] http://www.broadband.gov/issues/energy-and-the-environment.html.

equitable access to energy efficiency and renewable resource programs as well as support increased access to broadband designed to incent both broadband deployment and energy efficiency.

The Commission directs CB&I to present program alternatives to the Commission for its review and approval no later than 30 days from the effective date of this Interim Order. These programs may include rebates, product offers and incentives for smart thermostats and other internet-connected devices as well as more traditional Focus offerings for residential and small business customers, such as the Simple Energy Efficiency program and appliance recycling.

In addition to the development of new rural programs consistent with this Interim Order, Commission staff shall conduct outreach to rural cooperatives who have elected not to participate in Focus. While the Commission respects and appreciates the right of the cooperatives to operate their own CTC programs, there may be an opportunity for previously nonparticipating cooperatives to achieve greater energy efficiency benefits at less cost and support increased access to broadband through the new programs that will be implemented consistent with this Interim Order. Commission staff shall report back to the Commission on the outcome of this outreach.

Funding for New and Existing Focus Programs

In the Commission's Notice of Investigation in docket 5-FE-102, served September 1, 2016, the Commission indicated its intent to investigate, among other items, how any new rural energy efficiency and renewable resource programs could be funded and at what levels. The Commission preliminarily identified previously unallocated funds, funds previously allocated to specific programs through Commission orders in Quadrennial Planning II (docket 5-FE-100) that remain unspent, and excess reserve funds as possible sources of funding.

Wisconsin Stat. § 196.374(2)(a)1. requires each energy utility to spend 1.2 percent of its annual operating revenues from retail sales to fund statewide energy efficiency and renewable resource programs. As mentioned previously, Wis. Stat. § 196.374(7) requires municipal utilities and electric cooperatives to collect funds from their customers for energy efficiency programs, and provide the option for those entities to fund their own programs or contribute the collected funds to Focus. The revenues from the participating utilities provide the funding for Focus.

Certain revenue balances have accumulated over time from unspent revenue collected. These balances fall into four general categories. First, the Commission identified $30 million dollars that it earmarked for specific programs in 2015-2018 (Undesignated Funds). In prior Commission orders in Quadrennial Planning II (docket 5-FE-100), the Commission determined that the Undesignated Funds should be used in 2015-2018 for the following specific programs: $10 million for the RLF; $9.3 million for Strategic Energy Management Program expansion; $6.4 million for the anaerobic digester program; $2 million for the National Governor's Association pilot program; and $2.3 million for residential programs. (PSC REF#: 215245, PSC REF#: 269115.) The vast majority of the Undesignated Funds have been spent or obligated, with the exception of RLF funds and approximately $6.3 million for the anaerobic digester program discussed previously. Other than making the RLF funds now available for renewable incentives as opposed to loans, this Interim Order does not reduce any of the funding previously earmarked for these specific programs.

The second Focus program balance relevant to the Commission's consideration of funds for new or existing Focus programs are funds that have been collected and not yet allocated to any specific program (Unallocated Funds). Third, there is a balance of $30 million which SEERA has set aside, with prior Commission approval, as a reserve (Designated Fund). Finally, there is a carryover balance from 2015 of funds that were previously allocated to programs, but not spent (2015 Carryover Funds). The Commission makes preliminary determinations in this Interim Order regarding each of these items below, subject to final action and potential adjustment after the Commission's review and approval of the proposals that the Commission is requiring by this Interim Order.

Previously Unallocated Funds

As of December 31, 2015, there was $7,461,796 in Unallocated Funds not allocated to any program. The Commission did, however, authorize the completion of a potential study to assist in the Quadrennial Planning Process III (docket 5-FE-101), and it is anticipated that the cost of this study ($1,358,000) would be paid from the Unallocated Funds. This leaves the Unallocated Funds with a current balance of $6,103,796.

In addition to this $6.1 million, there is an estimated $3.2 million in 2017 and 2018 collected from participating municipal and cooperatives. In the past, due to a lack of stability in the amount of dollars contributed by municipal utilities and retail electric cooperatives, the Commission has not included their contributions in the annual Focus program budgets. As it is now clear that municipal utility and retail electric cooperative contributions will remain stable throughout the rest of the 2015-2018 quadrennium, the Commission finds that it is reasonable to begin including these funds in program budgets.

Subject to final action after review of the programmatic proposals required by this Interim Order, the Commission finds it reasonable to allocate $3.2 million in 2017 to existing core Focus programs, and up to $9,303,796 of the previously Unallocated Funds to new rural programs.

SEERA Designated Fund

In 2010, the Focus program demand unexpectedly increased above historical levels, and insufficient cash reserves were present in SEERA accounts to cover the increased cash flow. As a result, Focus was forced to temporarily reduce incentives, eliminate programs, and delay payments owed to trade allies and customers. In order to prevent the risk of similar disruption and uncertainty in the future, SEERA, in conjunction with Baker Tilly (Compliance Agent), Wipfli, (the Fiscal Agent), CB&I, in consultation with Commission staff and with Commission approval, established a Designated Fund policy and set aside 30 percent (approximately $30 million) of the previous year's revenue for purposes of covering cash flow.

While the Commission approved a Designated Fund of $30 million, it directed the Fiscal Agent to monitor the program's cash flow and recommend changes to the amount of the Designated Fund if it appears to be insufficient or excessive. SEERA, in consultation with Commission staff and the Fiscal Agent, conducted the required analysis, determined that it is appropriate to reduce the Designated Fund level, and proposed a range between $15 million and $25 million.

The Commission has reviewed the historical total expenditures and average monthly expenditures for Focus and agrees that establishing a Designated Reserve based upon cash flow is reasonable and that the current target of $30 million is excessive. However, the Commission finds that the range proposed by SEERA is unduly conservative and still too high. Three and a half years of monthly Focus expenditures were reviewed to determine how much those expenditures have historically deviated from average monthly expenditures. In round numbers, Focus currently budgets approximately $8.5 million in expenditures per month. The highest monthly expenditures during that period are about $12.5 million.

Using a cash flow model, it would appear that a Designated Fund in an amount significantly less than $15 million is reasonable. Especially where, as here, the revenue to fund the program is required by statute and paid by utilities regulated by the Commission. The chance that there would be a significant revenue shortfall that would require use of the Designated Fund is remote. History supports this. Focus has operated for most of its existence without the Designated Fund, and since the Commission approved establishment of the Designated Fund, it has never been tapped.

The Commission is charged with not only maintaining continuity of operations of the program, but is also required to ensure that, to the greatest extent practicable, Focus funds are used for investment in greater energy efficiency and renewable resources. For these reasons, the Commission concludes that a reasonable Designated Fund target is $5 million. SEERA shall revise its Designated Fund policy accordingly.

Subject to final action after review of the programmatic proposals required by this Interim Order, the Commission finds it reasonable to allocate the approximately $25 million now available due to the reduction in the Designated Fund to new rural programs.

2015 Carryover Funds

At the end of most calendar years, the Focus program has dollars remaining in the annual budget that are then carried over into the subsequent calendar year's budget. From 2015, there are carryover funds in the amount of $7,099,978. As those funds were not used for existing programs, the Commission finds that it is reasonable to consider using these funds for another purpose. Subject to final action after review of the programmatic proposals required by this Interim Order, the Commission finds it reasonable to allocate $7,099,978 to new rural programs.

Funding Summary

Based upon the above preliminary decisions in this Interim Order and subject to final action after review of the programmatic proposals required by this Interim Order, the Commission finds that it is reasonable to authorize funding for new rural and anaerobic digester programs up to a maximum of $41,403,774. When the amount of funds previously authorized for the anaerobic digesters is included in these amounts, the new total available funding for rural and anaerobic digester programs is up to a maximum of $47,569,769, subject to final action after the programmatic proposals are considered by the Commission. Of this new total and subject to final Commission action, between $20 to $35 million shall be considered for rural programs and between $10 and $20 million (inclusive of the $6.1 million previously allocated for anaerobic digesters) shall be considered for anaerobic digester programs.

Order

1. The Focus Program Administrator shall not implement the Energy Check program, but shall work with Commission staff and utility partners to identify future behavioral pilots in the balance of the quadrennium and present any future options to the Commission for prior approval.

2. The RLF shall be discontinued. The funds remaining in the RLF shall be used in 2017 and 2018 to pay renewable resource incentives. Commission staff and CB&I shall present no later than 30 days from the effective date of this Interim Order recommendations as to the appropriate level of such incentives and recommendations as to the allocation of incentives between residential and business customers.

3. An inter-agency working group shall be established to be led by the Executive Assistant to the Chair of the Commission which shall, along with CB&I, develop and present no later than 30 days from the effective date of this Interim Order a proposal consistent with this Interim Order.

4. CB&I shall prepare and present to the Commission, no later than 30 days from the effective date of this Interim Order, a proposal for new rural programs consistent with this Interim Order.

5. The Designated Fund shall be reduced to $5 million.

6. For 2017, $3.2 million in previously unallocated municipal and cooperative contributions to Focus shall be allocated to existing core Focus programs.

7. The Commission preliminarily authorizes funding for new rural and anaerobic digester programs up to a maximum of $47,569,767 with between $20 to $35 million for rural programs and between $10 and $20 million (inclusive of the $6.1 million previously allocated for anaerobic digesters), subject to final review and allocation after receipt and review of the specific program offerings to be prepared pursuant to this Interim Order.

8. This Interim Order shall take effect one day after the date of service.

9. Jurisdiction is retained.

Dated at Madison, Wisconsin, this 3rd day of November, 2016.

By the Commission:

Sandra J. Paske

Sandra J. Paske
Secretary to the Commission

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