



# Public Service Commission of Wisconsin

Rebecca Cameron Valcq, Chairperson  
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4822 Madison Yards Way  
P.O. Box 7854  
Madison, WI 53707-7854

Public Service Commission of Wisconsin  
RECEIVED: 10/26/2021 1:49:00 PM

October 26, 2021

Re: Quadrennial Planning Process IV  
Scoping Memorandum

5-FE-104

Comments Due:

**Friday, November 19, 2021 - 4:30 p.m.**

This docket uses the Electronic Records Filing system (ERF).

Address Comments To:

**Steffany Powell Coker**  
**Secretary to the Commission**  
Public Service Commission  
P.O. Box 7854  
Madison, WI 53707-7854

The Commission memorandum regarding the Focus on Energy Quadrennial Planning Process IV Scoping is being provided to the parties for comment. Comments must be received by **4:30 p.m. on Friday, November 19, 2021**. Party comments must be filed using the Commission's ERF system. The ERF system can be accessed through the Public Service Commission's web site at <http://psc.wi.gov>. Members of the public may file comments using the ERF system or may file an original in person or by mail at the Public Service Commission, 4822 Madison Yards Way, P.O. Box 7854, Madison, WI 53707-7854.

Please direct questions about this docket or requests for additional accommodations for persons with a disability to the Commission's docket coordinator, Jolene Sheil at (608) 266-7375 or [Jolene.Sheil@wisconsin.gov](mailto:Jolene.Sheil@wisconsin.gov).

Sincerely,

Kristy Nieto  
Division Administrator  
Digital Access, Consumer and Environmental Affairs

Attachment

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# **PUBLIC SERVICE COMMISSION OF WISCONSIN**

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## **Memorandum**

October 26, 2021

### **FOR COMMISSION AGENDA**

TO: The Commission

FROM: Kristy Nieto, Division Administrator  
Tara Kiley, Deputy Division Administrator  
Joe Pater, Director, Office of Energy Innovation  
Jolene Sheil, Portfolio Manager, Focus on Energy  
Mitch Horrie, Performance Manager, Focus on Energy  
Division of Digital Access, Consumer and Environmental Affairs

RE: Quadrennial Planning Process IV – Scoping Memo

5-FE-104

Suggested Minute: The Commission directed the Division of Digital Access, Consumer and Environmental Affairs to draft an Order consistent with its decision.

### **Background**

On March 19, 2020, the Commission issued a Notice of Investigation in this docket to evaluate the energy efficiency and renewable resource programs (both the statewide Focus on Energy program and utility voluntary programs) and to determine their appropriate goals, priorities, and measureable targets. ([PSC REF#: 386022.](#))

In the Notice of Investigation, the Commission indicated it would follow a process similar to the one used in the Quadrennial Planning Process III docket while opening this docket earlier in the process to provide sufficient time to conduct an energy efficiency potential study. The potential study was finalized by the Focus program evaluator Cadmus Group, Inc. (Cadmus), on September 10, 2021. ([PSC REF#: 420467.](#)) In addition, in its Final Decision of March 10, 2021, the Commission authorized funding for Cadmus to conduct a rooftop solar photovoltaic (PV) potential study to inform the Quadrennial

Planning Process IV (Quad IV). ([PSC REF#: 406592](#).) A Rooftop Solar PV Potential Study was conducted and finalized by the Cadmus on October 4, 2021. ([PSC REF#: 421984](#)).

Six organizations, Clean Wisconsin, RENEW Wisconsin, the Wisconsin Industrial Energy Group, the Midwest Renewable Energy Association, Citizen's Utility Board (CUB), and AXIOM Energy Group requested intervention in this docket. ([PSC REF#: 386323](#)), ([PSC REF#: 386749](#)), ([PSC REF#: 386538](#)), ([PSC REF#: 387677](#)), ([PSC REF#: 422105](#)), and ([PSC REF#: 422139](#)) respectively.) Commission staff provides this memorandum on the appropriate scope of Quad IV to the public and parties for comment.

### **Quadrennial Planning Process**

The Commission oversees Wisconsin's statewide energy efficiency and renewable resource programs, commonly known as the Focus on Energy program (Focus). Wis. Stat. § 196.374(3)(a). The Commission has overseen Focus since 2007 and under Wis. Stat. § 196.374(3)(b)1., the following is required of the Commission among other statutorily identified tasks:

At least every 4 years, after notice and opportunity to be heard, the commission shall, by order, evaluate the energy efficiency and renewable resource programs under sub. (2) (a) 1., (b) 1. and 2., and (c) and ordered programs and set or revise goals, priorities and measurable targets for the programs. The commission shall 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.

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. identifies specific program components that must be included with the Focus program.

The Commission's decisions in the first Quadrennial Planning Process (docket 5-GF-191) ([PSC REF#: 141173](#)) covered the 2011-2014 period for management of the Focus program and decisions in the Quadrennial Planning Process II (docket 5-FE-100) covered the 2015-2018 period ([PSC REF#: 215245](#)) ([PSC REF#: 218476](#)). The decisions in Quadrennial Planning Process III (docket 5-FE-101) are in effect for the 2019-2022 period and the decisions in Quad IV (docket 5-FE-104) will be in effect for the 2023-2026 timeframe. ([PSC REF#: 343909](#)).

Determining the scope of the Quad IV involves deciding which of the decisions made in the Quadrennial Planning Process III, in addition to the statutorily required decisions, should be revisited, as well as whether any new issues should be addressed in Quad IV. For example, the Commission determined at its September 2, 2021 meeting, that the Quad IV scope will include five topics identified during the Roadmap to Zero Carbon Investigation (docket number 5-EI-158). ([PSC REF#: 421399](#)). A summary of the decisions made in the Quadrennial Planning Process III are set forth in Attachment A to this memorandum for reference.

In the Notice of Investigation, the Commission provided a preliminary timeline for the completion of Quad IV. The current process is on schedule, and the timeline has been updated and appears in Table 1 below.

**Table 1. Quadrennial Planning Process IV Timeline**

<b>Activity</b>	<b>Approximate Time Period</b>
Potential Study Final Report (Energy Efficiency)	September 10, 2021
Potential Study Final Report on Rooftop Solar PV	October 4, 2021
Presentation to Commission Regarding Potential Studies	October 7, 2021
Scope of Quad IV Planning Process – Out for Comment	Week of October 25, 2021
Comments Due (three week comment period)	November 19, 2021
Commission Decisions on Scope of Quad IV	December 2, 2021
Phase I - Commission Staff Memo for Quad IV – <i>Macro Policy Decisions</i> (two week comment period)	March 2022
Phase II - Commission Staff Memo for Quad IV – <i>Micro Focus Implementation Decisions</i> (two week comment period)	May 2022
Phase III - Commission Decisions on Focus Goals for Quad IV	July 2022
SEERA* & APTIM Negotiate Contract for Quad IV	August – September 2022
APTIM Plans/Designs Programs Based on Commission Decisions	August – December 2022
Quadrennial IV Performance Period Begins	January 1, 2023

\*Statewide Energy Efficiency and Renewables Administration

### **Scope of the Quadrennial IV Planning Process**

Given the nature of the topics before the Commission in Quad IV, Commission staff proposes to divide the planning process into three phases as referenced above in the timeline and below in Table 2. Phase I includes the Macro Policy Priorities that originated in the Roadmap to Zero Carbon Docket. Commission staff would invite comments on how these topics could be incorporated into the Focus program during the 2023-2026 period as well as the relative importance of these five topics to stakeholders and the public.

Decisions on Phase I topics will influence and/or impact the alternatives and decisions in Phase II of the process. Commission staff rationalize that certain decisions in Phase I may require an analysis of specific considerations to align Commission priorities

with approaches to operationalize those priorities through a subsequent phase of the Quad IV planning process. Considerations pertaining to tracking and evaluating program performance in a manner consistent with those decision priorities is also relevant for Phase II decisions. For example, decisions in Phase I that may broaden or narrow the scope of Focus program offerings are likely to require an assessment of appropriate program evaluation metrics as well as the appropriate data and methods for assessing program performance. Phase II also includes decisions involving budgets which could impact the goals being set in Phase III.

Finally, Phase III will look at goals, targets and Key Performance Indicators (KPIs) for the Focus program in Quad IV after taking into account the decisions from Phases I and II. Again, staff recognize that the priorities established in prior phases of Quad IV planning will shape the considerations for setting appropriate measurable targets for the 2023-2026 period and that shifts in Commission priorities may require new or innovative approaches to establishing goals and measuring performance. Commission staff has evaluated the Commission decisions on the Scope of Quadrennial Planning Process III, as well as the conclusions of the 2021 Potential Studies – both the energy efficiency and the Rooftop Solar PV Study, and recommends that the following topics be included in the Quadrennial Planning Process IV:

**Table 2. Quadrennial Planning Process Phases and Proposed Topics**

Phase in Quad Planning	Proposed Quad IV Topics	Origin
<p style="text-align: center;"><b>Phase I – Macro Policies and Priorities</b></p>	<ol style="list-style-type: none"> <li>1. Alignment of Focus performance goals and program offerings with decarbonization goals</li> <li>2. Electrification programs and offerings</li> <li>3. Programs and offerings for low-income customers</li> <li>4. Collaboration between Focus and Utility Demand Response Programs</li> </ol>	<p>From Roadmap to Zero Carbon Docket 5-EI-158 (<a href="#">PSC REF#: 421399</a>)</p>

Phase in Quad Planning	Proposed Quad IV Topics	Origin
	5. Utility Voluntary Programs	
Phase II- Micro Implementation Decisions	<ol style="list-style-type: none"> <li>1. How should overall energy goals be stated and tracked?</li> <li>2. Emphasis between Energy and Demand</li> <li>3. Emphasis between Business and Residential</li> <li>4. Inclusion of Underserved Rural Areas</li> <li>5. Resource Acquisition and Market Transformation</li> </ol>	Topics addressed in Quads I, II and III
Phase II – Cost Effectiveness Decisions	<ol style="list-style-type: none"> <li>1. Primary and Secondary Cost-Effectiveness Tests</li> <li>2. Carbon Value</li> <li>3. Avoided Costs</li> <li>4. Discount Rate</li> <li>5. Avoided Transmission &amp; Distribution (T&amp;D) Costs</li> </ol>	Topics 1- 4 were addressed in Quads I, II and III. For #5 - Avoided T&D, in March 2021 the Commission approved an approach for incorporating avoided T&D costs for evaluating Focus. ( <a href="#">PSC REF#: 406591</a> )
Phase II- Budget Issues	<ol style="list-style-type: none"> <li>1. Energy Efficiency</li> <li>2. Renewables</li> <li>3. Other</li> </ol>	Topic addressed in Quads I, II and III
Phase II - Other	<ol style="list-style-type: none"> <li>1. Does the Commission need to approve pilots for behavioral programs?</li> </ol>	Topic addressed in Quads II and III
Phase III	Goals, Targets and KPIs	Commission required to set goals, priorities and measureable targets.

Additional detail about each of the proposed topics originating from the Quadrennial Planning Process III is included in Attachment A. The topics listed above are those where Commission decisions are or may be needed to effectively implement the Focus program. The topics also include issues where technological and other changes may warrant the Commission revising its decision from the previous Quadrennial Planning Processes to ensure the program priorities are consistent with current standards. In addition, the Commission made several decisions during the Quad III performance period (2019-2022) which revised original decisions made in the Quadrennial III Planning Process. There were

also two decisions regarding a project approved in Quad II which were revisited in 2019 and 2020. Overall, the decisions during Quad III have either 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 and budgets.<sup>1</sup>

### **Commission Alternatives**

**Alternative One:** Approve the scope of the Quad IV planning process identified in Table 2, above.

**Alternative Two:** Approve the scope of the Quad IV planning process identified in Table 2, above, with modifications.

**Alternative Three:** Direct Commission staff to obtain additional information regarding the appropriate scope of the Quadrennial Planning process and report back to the Commission with additional recommendations.

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Attachment: Attachment A: Summary of Key Decisions on Quadrennial Planning Process III

#### Key Background Documents

[Notice of Investigation Signed and Served 3/19/2020 - PSC REF#: 386022](#)

[Focus on Energy Potential Study Final Report - September 2021 - PSC REF#: 420467](#)

[Focus on Energy Rooftop Solar Potential Study Final Report - October 2021 - PSC REF#: 421984](#)

[Clean Wisconsin's Request for Full Party Status - PSC REF#: 386323](#)

[Wisconsin Industrial Energy Group's Request to Intervene and Notice of Appearance - PSC REF#: 386538](#)

[Request - Full Party Status - PSC REF#: 386749](#)

[Midwest Renewable Energy Association's Request to Intervene and Notice of Appearance - PSC REF#: 387677](#)

[Final Decision on Quadrennial Planning Process III signed and served 6/6/18 - PSC REF#: 343909](#)

[5-FE-101 Quadrennial Planning Process III: RECIP and Rural and Agricultural Programs - PSC REF#: 349339](#)

[Final Decision Signed and Served 06-24-19 - PSC REF#: 370309](#)

[Order Signed and Served 12-10-2019 - PSC REF#: 380445](#)

[Final Decision Signed and Served 12-11-2019 - PSC REF#: 380465](#)

[Focus on Energy Rural Behavioral Pilot Final Decision Signed and Served 4/21/2020 - PSC REF#: 387802](#)

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<sup>1</sup> ([PSC REF#: 343909](#)); ([PSC REF#: 349339](#)); ([PSC REF#: 370309](#)); ([PSC REF#: 380445](#)); ([PSC REF#: 380465](#)); ([PSC REF#: 387802](#)); ([PSC REF#: 390566](#)); ([PSC REF#: 406591](#)); ([PSC REF#: 415929](#)); ([PSC REF#: 380365](#)); ([PSC REF#: 384265](#))



[Order-Avoided Capacity Signed and Served 6/1/2020 - PSC REF#: 390566](#)  
[5-FE-101 Final Decision Signed and Served 03/10/2021 - PSC REF#: 406591](#)  
[Final Decision Signed & Served 07/13/2021 - PSC REF#: 415929](#)  
[Final Decision Signed and Served 12-6-19 - PSC REF#: 380365](#)  
[Order signed and served 2/20/20 - PSC REF#: 384265](#)

**Attachment A**  
**Summary of Commission Decisions on Quadrennial Planning Process III**

On June 6, 2018, the Commission issued its initial Final Decision setting the goals, priorities, and measurable targets for the Quadrennial Planning Process III. ([PSC REF#: 343909](#).) Additional decisions made during Quad III are identified with the relevant ERF reference number or a footnote.

**Goals and Priorities**

1. Goals for Focus shall continue to be based on reductions in energy use and peak demand, with more emphasis on energy use savings and resulting emission reductions.
2. Approximately 60 percent of Focus funding shall be allocated to business programs and 40 percent to residential programs.
3. Focus goals should emphasize short-term energy savings. Qualitative targets for long-term market effects over the next 4 years should be set, and the Program Administrator shall prioritize designs that simultaneously achieve short-term energy savings while targeting longer-term market changes.

**Cost Effectiveness of Programs**

1. Focus programs shall meet a Modified TRC Test of cost-effectiveness. The following cost-effectiveness tests shall be used as secondary tests for informational purposes: TRC Test, Expanded TRC Test, Utility Test, Societal Test, and RIM Test.
2. For the purposes of evaluating Focus, avoided electric energy costs shall be based on a forecasted LMP that is the average of LMPs across Wisconsin nodes.

3. For the purposes of evaluating Focus, avoided electric capacity costs shall be based on the unit costs of a peaker plant.<sup>2</sup>

4. For purposes of evaluating the Focus program, avoided natural gas costs shall continue to be calculated based on EIA forecasts of Henry Hub prices adjusted using Wisconsin City Gate prices and retail prices to estimate avoided natural gas costs in Wisconsin.

5. A discount rate of 2.0 percent shall be used in Focus' cost-effectiveness tests.

6. Focus cost-effectiveness tests shall value avoided carbon dioxide emissions using a market-based value of \$15.00 per ton.

### **Programs Requiring Funding Allocation Decisions**

#### **Renewable Energy**

1. The Renewable Rewards and RECIP structure used in the prior quadrennial shall be modified consistent with Order Condition 12 below. ([PSC REF#: 380465](#))

2. The existing RECIP process shall be modified to include solicitations specifically targeted to mid-size business projects, as well as streamlined proposal requirements and a more regular recurring schedule for solicitations. ([PSC REF#: 349339](#).)

3. Renewable incentive funding for 2019-2022 shall be \$5.5 million annually. The Program Administrator shall have flexibility to adjust budgets between business and residential portfolios and RECIP and prescriptive programs as the market dictates.

#### **Continued Review/Assessment of the Anaerobic Digester Program**

In its Final Decision of December 20, 2016, the Commission authorized \$20 million in previously undesignated Focus funds to be used to fund integrated anaerobic digesters through

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<sup>2</sup> A step-by-step methodology for calculating avoided electric capacity costs for the purpose of evaluating Focus was established in the Commission's Order of June 1, 2020. ([PSC REF#: 390566](#).)

an RFP process, and \$27.7 million for specialized programs during 2017 and 2018 designed to serve rural customers that have been historically underserved by Focus programs. Surplus funds are expected to remain in both programs at the end of 2018, including \$5 million in unobligated anaerobic digester funds, and an uncertain amount of surplus funds from the rural programs

### **Inclusion of Underserved Rural Areas**

The Program Administrator shall work with Commission staff, the Wisconsin Department of Natural Resources, and the Department of Agriculture, Trade and Consumer Protection to design a new set of proposed programs to serve agriculture customers and other rural customers in the 2019-2022 quadrennium, and provide proposed programs to the Commission by July 1, 2018. These programs shall remain separate from core Focus program offerings. Funding for the programs shall include the \$5 million in unobligated digester funds, any surplus funds from the 2017-18 rural programs, and an additional \$5 million per year allocated from general Focus collections. ([PSC REF#: 349339.](#)) ([PSC REF#: 370309.](#))

### **Behavioral Pilots**

Focus funds may be used for residential behavioral pilot programs during the Quadrennial Planning Process III programming, but any proposed behavioral program design shall be returned to the Commission for approval in advance of implementation.

### **Utility Collaboration and Data Sharing**

#### **Accessibility of Data from Participating Utilities**

The Commission finds it reasonable for Commission staff to conduct further analysis on the benefits, financial costs, and other barriers associated with Focus access to utility data and report its findings and recommendations to the Commission by November 1, 2018.

## **Utility Voluntary Programs**

The Commission finds it reasonable to take no action at this time to incorporate utility voluntary programs into a collaborative framework or to establish guidance defining appropriate voluntary programs.

## **Issue Related to Goals**

1. The Commission finds it reasonable to continue setting an overall energy savings goal for Focus in millions of British thermal units (MMBtu). Minimum goal thresholds for kilowatt-hour (kWh) and therm savings shall be set equal to 90 percent of the overall goal, while the remaining 10 percent of the MMBtu goal could be met using either type of savings. An overall energy savings goal shall continue to be established for Focus. Minimum kWh and therm thresholds shall be set equal to 90 percent of the overall goal.

2. The Commission's Focus goals shall be set based on net life cycle savings and the Program Administrator's contract goals shall be set based on gross life cycle savings.

3. Total quadrennial savings goals for Focus on Energy shall be based on the Focus potential study, with adjustments to account for program activities that were not addressed by the study and align the study with subsequent Commission decisions. Final savings goals are provided in Table 1 of this Final Decision.