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PUBLIC SERVICE COMMISSION OF WISCONSIN

Quadrennial Planning Process IV

5-FE-104

FINAL DECISION

This is the Final Decision for the statewide energy efficiency and renewable resource program's quadrennial planning period of 2023-2026 setting goals, priorities, and measurable targets for Focus on Energy (Focus).

Introduction

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](#) and [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](#).)

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 measurable 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 in docket 9501-FE-124, 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 Cadmus on October 4, 2021. ([PSC REF#: 421984](#).)

Scoping Process

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.) On October 26, 2021, Commission staff provided a memorandum regarding the appropriate scope of Quad IV to the public and parties for comment. ([PSC REF#: 423921](#).)

The Commission received comments from 14 organizations and individuals: Wisconsin Utilities Association ([PSC REF#: 426016](#)); CUB ([PSC REF#: 426104](#)); Rocky Mountain Institute ([PSC REF#: 426103](#)); Slipstream ([PSC REF#: 426098](#)); Vermont Energy Investment Corporation (VEIC) ([PSC REF#: 426094](#)); Wisconsin Local Government Climate Coalition (WLGCC) ([PSC REF#: 426092](#)); Dan York with the American Council for and Energy-Efficient Economy (ACEEE) ([PSC REF#: 426071](#)); Clean Wisconsin ([PSC REF#: 426056](#)); Wisconsin's Green Fire ([PSC REF#: 426050](#)); RENEW Wisconsin ([PSC REF#: 426038](#)); Axiom Energy Group ([PSC REF#: 425980](#)); APTIM ([PSC REF#: 426099](#)); Evaluation Work Group ([PSC REF#: 426080](#)); and Lila Zastrow & Dave Hendrickson ([PSC REF#: 426025](#)).

The Commission discussed the scope of the Quad IV planning process at its Open Meeting on December 2, 2021 and issued an Order on December 16, 2021 establishing the Scope of the Quadrennial Planning Process IV. ([PSC REF#: 427426](#).) The Commission found

it reasonable to address the issues presented in the Quadrennial Planning Process IV in the following three phases and topics:

Phase in Quad Planning	Proposed Quad IV Topics
Phase I – Macro Policies and Priorities	<ol style="list-style-type: none"> 1. Alignment of Focus performance goals and program offerings with decarbonization goals 2. Electrification programs and offerings 3. Programs and offerings for low-income customers 4. Collaboration between Focus and Utility Demand Response Programs 5. Utility Voluntary Programs
Phase II- Micro Implementation Decisions	<ol style="list-style-type: none"> 1. How should overall energy goals be stated and tracked? 2. Emphasis between Energy and Demand 3. Emphasis between Business and Residential 4. Inclusion of Underserved Rural Areas 5. Resource Acquisition and Market Transformation
Phase II – Cost Effectiveness Decisions	<ol style="list-style-type: none"> 1. Primary and Secondary Cost-Effectiveness Tests 2. Carbon Value 3. Avoided Costs 4. Discount Rate 5. Avoided Transmission & Distribution (T&D) Costs
Phase II- Budget Issues	<ol style="list-style-type: none"> 1. Energy Efficiency 2. Renewables 3. Environmental and Economic Research and Development 4. Other
Phase II - Other	Does the Commission need to approve pilots for behavioral programs?
Phase III	Goals, Targets and Key Performance Indicators

Commissioner Nowak dissented.

Phase I

The Commission issued a request for comments on a Commission memorandum on March 8, 2022. A total of 49 comments were received from the following:

Senator Julian Bradley and Representative Mike Kuglitsch ([PSC REF#: 434027](#)); 350 Wisconsin ([PSC REF#: 434002](#)); ACEEE ([PSC REF#: 434040](#)); APTIM ([PSC REF#: 434107](#)); Axiom

Energy Group ([PSC REF#: 434021](#)); Center for Energy and Environment ([PSC REF#: 434214](#)); CUB ([PSC REF#: 434196](#)); Clean Wisconsin ([PSC REF#: 434025](#)); CLEAResult Consulting ([PSC REF#: 433971](#)); Domtar-Nekoosa Mill ([PSC REF#: 434109](#)); Franklin Energy ([PSC REF#: 434106](#)); Industrial Customers Group ([PSC REF#: 434182](#)); Midwest Building Decarbonization Coalition ([PSC REF#: 434092](#)); Midwest Energy Efficiency Alliance ([PSC REF#: 434101](#)); Midwest Tribal Energy Resources Association ([PSC REF#: 434104](#)); RENEW Wisconsin ([PSC REF#: 433908](#)); Rocky Mountain Institute ([PSC REF#: 434014](#)); Sierra Club ([PSC REF#: 434231](#)); Sierra Club-bundled comments from members ([PSC REF#: 434232](#)); Slipstream ([PSC REF#: 434110](#)); U.S. Green Building Council ([PSC REF#: 433907](#)); Vernon County Energy District ([PSC REF#: 434042](#)); Wisconsin Cast Metals Association ([PSC REF#: 433460](#)); Wisconsin EcoLatinos ([PSC REF#: 434037](#)); Wisconsin's Greenfire ([PSC REF#: 433963](#)); Wisconsin Health Professionals for Climate Action ([PSC REF#: 434108](#)); WLGCC ([PSC REF#: 434059](#)); Wisconsin Manufacturers and Commerce ([PSC REF#: 434219](#)); Wisconsin Propane Gas Association ([PSC REF#: 434105](#)); WPPI ([PSC REF#: 434087](#)); Wisconsin Utilities Association ([PSC REF#: 434220](#)); Kathy Allen([PSC REF#: 433957](#)); Mike Arny([PSC REF#: 433990](#)); William G. Braier ([PSC REF#: 433758](#)); Michael Erkamaa ([PSC REF#: 434033](#)); Thomas Hickey ([PSC REF#: 434003](#)); Chris Klopp ([PSC REF#: 434289](#)); Andrea Kremer ([PSC REF#: 433986](#)); Bruce Krawisz ([PSC REF#: 433958](#)); Nancy Kriofsky ([PSC REF#: 434011](#)); Mark Lindborg ([PSC REF#: 434082](#)); Suzanne Moynihan ([PSC REF#: 433896](#)); Harry Parrott ([PSC REF#: 433855](#)); George J. Perkins ([PSC REF#: 434017](#)); Katherine Riebe ([PSC REF#: 433867](#)); Mary E. Ross ([PSC REF#: 433868](#)); Jenny Ruggini ([PSC REF#: 434230](#)); Donald Schaeffer ([PSC REF#: 433903](#)); and Lila Zastro/Dave Hendrickson ([PSC REF#: 434062](#)).

Phase II

The Commission issued a request for Comments on the Phase II Commission memorandum on July 7, 2022. A total of 16 comments were received from the following: APTIM/VEIC ([PSC REF#: 444189](#)); Cadmus ([PSC REF#: 444212](#)); Center for Energy and Environment ([PSC REF#: 444187](#)); CUB ([PSC REF#: 444217](#)); Clean Wisconsin ([PSC REF#: 444184](#)); CLEAResult Consulting ([PSC REF#: 444190](#)); Franklin Energy ([PSC REF#: 444174](#)); Industrial Customers Group ([PSC REF#: 444207](#)); Midwest Energy Efficiency Alliance ([PSC REF#: 444175](#)); Oracle-Opower ([PSC REF#: 444169](#)); RENEW Wisconsin ([PSC REF#: 444179](#)); Rocky Mountain Institute ([PSC REF#: 444143](#)); Vernon County Energy District ([PSC REF#: 444165](#)); WLGCC ([PSC REF#: 444133](#)); Wisconsin Utilities Association ([PSC REF#: 444102](#)); and Judith Stadler ([PSC REF#: 444135](#)).

Phase III

The Commission issued a request for Comments on the Phase III Commission memorandum on September 13, 2022. A total of four comments were received from the following: APTIM/VEIC ([PSC REF#: 448709](#)); Clean Wisconsin ([PSC REF#: 448702](#)); CLEAResult ([PSC REF#: 448707](#)); and WLGCC. ([PSC REF#: 448686](#)).

Findings of Fact

1. The goals, priorities and measurable targets of Focus as set forth in this Final Decision are reasonable and in the public interest.

Conclusions of Law

1. The Commission has jurisdiction under Wis. Stat. §§196.02, 196.374, and 196.395, and Wis. Admin. Code ch. PSC 137 to set and revise the goals, priorities, and measurable targets for Focus.

2. The Commission may impose any term, condition, or requirement necessary to protect the public interest pursuant to Wis. Stat. §§ 196.02, 196.374, and 196.395.

Discussion

Phase I - Macro Policies and Priorities

The Commission reviewed various macro policies and priorities as part of Phase I of Quad IV for Focus ([PSC REF#: 432286](#)) at its open meeting on April 7, 2022.

Aligning Focus on Energy Performance Goals and Program Offerings with Decarbonization Goals

The Commission finds it reasonable that Focus should play a larger role in cost-effectively reducing carbon emissions and that Quad IV should serve as a transitional period during which the program continues to emphasize energy savings but also seeks to make measurable progress toward a transition to greater emphasis on reducing carbon emissions. The Commission also directs the Evaluation Work Group (EWG) to develop recommendations to operationalize enhanced measurement and tracking of the program's carbon emissions reduction impacts for the purposes of program evaluation and performance tracking.

The Commission finds that additional data and information should be gathered and developed during Quad IV to better understand Focus' role, within its statutorily created

purpose, in meeting state and utility decarbonization goals. In the meantime, the Commission finds that the program should continue to emphasize energy savings.

Commissioner Nowak dissents.

Electrification Programs and Offerings

The Commission finds it reasonable that Focus shall continue not to claim savings and other benefits from directly supporting beneficial electrification where fuel switching from unregulated fuels to electricity provided by a participating utility occurs through its own programs and offerings. The Commission's interpretation of the statute finds that Focus cannot directly support and claim the benefits from beneficial electrification where fuel switching from unregulated fuels to electricity occurs through its own programs and offerings.

Commissioner Huebner dissents.

The Commission also finds it reasonable that Focus shall use Quad IV as a transitional period to position the program to take on a larger role in promoting beneficial electrification statewide. The Commission acknowledges the transition toward electrification that is occurring in the industry and determines that additional information, including key performance indicators and metrics, are necessary prior to committing to implementation of expanded and enhanced beneficial electrification initiatives statewide.

Commissioner Nowak dissents.

Utility Voluntary Programs

The Commission finds it reasonable that the Focus Program Administrator shall develop and maintain a menu of options for utility voluntary programs to be shared with participating Focus utilities.

Commissioner Nowak dissents.

Collaboration Between Focus and Utility Demand Response Programs

The Commission finds it reasonable that Focus shall maintain its current level of support for utility demand response programs. The Commission determines that Focus should continue to support utility demand response programs where it is cost-effective.

Affordability – Low-Income and Income-Qualified Programs and Offerings

The Commission finds it reasonable that the Focus program should continue to offer income-qualified programs but coordinate with the Department of Administration weatherization programs to further fill potential gaps in its low-income offerings and should additionally explore developing a community-based pilot(s) in one or more targeted communities. The Commission finds that this decision aligns with Focus' statutory requirement to maximize coordination and program delivery with Wisconsin's statewide low-income weatherization program and will assist in ensuring that customers paying into Focus are receiving the benefits of the program.

The Commission further directs the Focus Program Administrator to convene a stakeholder group that includes community-based organizations that work with marginalized communities to gather input on effective methods to reduce barriers in order to effectively reach these customers. The Commission also directs the Focus Program Administrator to develop Key Performance Indicators for income-qualified programs for the Commission's consideration in Phase III of the Quad IV Planning Process.

Commissioner Nowak dissents.

Phase II - Micro Implementation, Cost-Effectiveness and Budget for Quad IV

The Commission reviewed various micro implementation, cost-effectiveness and budget decisions as part of Phase II of Quad IV for Focus ([PSC REF#: 442095](#)) at its open meeting of August 4, 2022.

Stating and Tracking Overall Energy Goals

The Commission finds it reasonable to establish an overall savings goal expressed in millions of BTU (MMBtu) as it gives the Program Administrator some flexibility in goal achievement. The Commission also finds it reasonable to maintain the current minimum performance requirement of 90 percent for kWh and therms.

The Commission also finds it reasonable to continue using a four-year savings goal expressed in lifecycle savings and shall continue to make first-year savings available for public reporting purposes.

Emphasis Between Energy Use and Demand

The Commission finds it reasonable to establish goals based on reductions in energy use and peak demand with more emphasis on energy use savings and associated emissions reductions as it has done in the past, since there is not enough information available at this time to establish goals reflecting an increased emphasis on demand reduction. The Quad IV Program Administrator performance contract shall be structured to reflect this priority. The Commission also finds it reasonable for Focus to perform additional research in Quad IV to assess strategies for achieving greater demand savings and better understand the additional value of demand savings.

Time -varying Value of Energy Efficiency and Renewable Resources

The Commission finds that Focus shall investigate opportunities to integrate the time-varying value of energy efficiency and renewable energy into program operations. The Commission also directs Commission staff to return to the Commission with budgets for the research and available funding sources.

Winter Peak Electric Period Definition

Consistent with MISO's proposed seasonal resource adequacy approach, the Commission finds it reasonable for Focus to adopt a winter electric peak period definition and begin quantifying and tracking winter electric peak savings in Quad IV. The Evaluation Workgroup (EWG) shall determine the appropriate winter peak period definition.

Peak Natural Gas

The Commission finds it reasonable for Focus to adopt a winter natural gas peak period definition and begin quantifying and tracking winter natural gas peak demand savings in Quad IV but not to set a goal at this point. The EWG shall investigate and develop recommendations for estimating peak natural gas avoided costs for the Commission's consideration.

Emphasis Between Business and Residential Programs

The Commission finds it reasonable that Focus should continue to allocate 60 percent of funds to Business programs and 40 percent to Residential programs.

Resource Acquisition and Market Transformation

Focus' resource acquisition-oriented programs have matured and Focus should begin looking at other opportunities for savings. Therefore, the Commission finds it reasonable for Focus to continue emphasizing near-term savings but should increase the program's emphasis on long-term market transformation by identifying ways to adapt Focus' existing portfolio to

achieve long-term market effects and develop strategies to support this direction. The Focus Evaluator shall report on the program's progress in support of this direction in annual evaluation reports. The Focus Evaluator shall develop an assessment of the Focus' market transformation potential in coordination with the Program Administrator and Commission staff, with input from stakeholders. This assessment shall, at minimum, identify the existing and emerging markets and technologies best suited for program intervention, theories of change for select markets, potential short-term, mid-term, and long-term market outcomes, appropriate market performance indicators, data collection plan(s), evaluation plan(s), and budgets. This assessment shall be delivered to the Commission prior to scoping for Quadrennial Planning Process V.

Commissioner Nowak dissents.

Cost-effectiveness Decisions

The Commission finds that the Focus portfolio shall continue to meet a modified Total Resource Cost (TRC) Test of net cost-effectiveness.

Primary and Secondary Cost-Effectiveness Tests

The Commission finds it reasonable for Focus to use an Expanded TRC Test, Utility Cost Test and Societal Cost Test as secondary tests to be calculated and reported for additional information as they each are representative of valuable perspectives for purposes of evaluating the program.

Commissioner Nowak dissents on the inclusion of the Societal Cost Test.

Low-Income and Income-Qualified Programs and Offerings in Cost-Effectiveness Tests

The Commission finds it reasonable that for purposes of evaluating cost-effectiveness, a benefits adder shall be applied to programs and offerings targeting customers below 60 percent of statewide median income in Focus' primary cost-effectiveness test. The choice to include a benefit adder reflects the Commission's interest in providing equitable opportunities for participation for low-income customers, while recognizing that programs serving those customers may tend to be more expensive to offer. The EWG shall review available options and propose an approach for the Commission's consideration prior to the first program year evaluation of portfolio cost-effectiveness in Quad IV.

Commissioner Nowak dissents.

Electric Avoided Energy Costs

The Commission finds it reasonable that for purposes of evaluating cost-effectiveness, Focus shall continue to base electric avoided energy costs on a forecasted locational marginal price (LMP) across Wisconsin nodes.

Electric Avoided Capacity Costs

The Commission finds it reasonable that for purposes of evaluating cost-effectiveness, Focus shall maintain the current approach to calculating avoided electric capacity costs based upon the unit cost of a peaker plant consistent with the approach approved by the Commission in Quad III.

Chairperson Valcq dissents.

Avoided T & D Costs

The Commission finds it reasonable that for purposes of evaluating cost-effectiveness, Focus shall maintain the current approach to calculating avoided transmission and distribution costs using an incremental cost approach based on recent transmission line investments reported in annual investor-owned utility reports and data requested and received from entities owning and operating electric transmission and distribution infrastructure in the state.

Commissioner Nowak dissents.

However, the Commission finds it reasonable for the EWG or EWG and a third party to present to the Commission during Quad IV for its consideration, an alternative method (or multiple alternative methods) for calculating avoided electric transmission and distribution costs for the purpose of evaluating Focus in the future. EWG or EWG and a third party shall submit its proposed recommendation prior to the first program year evaluation of portfolio cost-effectiveness in Quad IV, or by an alternative timeline deemed reasonable by Commission staff.

Natural Gas Avoided Costs

The Commission finds it reasonable that for purposes of evaluating cost-effectiveness, Focus shall maintain the current approach to calculating avoided natural gas costs 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.

Commissioner Huebner dissents.

Carbon Value

The Commission finds it reasonable that cost-effectiveness tests shall value avoided CO² emissions using an updated market-based value. No later than September 30, 2023, the EWG

shall provide a report to the Commission on alternatives for an appropriate market-based carbon value, at which time the Commission will select the preferred valuation.

Commissioner Nowak dissents.

Discount Rate

The Commission finds it reasonable to continue to use a discount rate of 2.0 percent in Focus' cost-effectiveness tests.

Core Efficiency and Renewable Budget Determination

The Commission finds it reasonable to set a four-year maximum budget Key Performance Indicator (KPI) at \$22 million to give the Program Administrator flexibility to shift funds between the Renewable and Core Efficiency budgets with approval from Commission staff. The maximum budget KPI is for incentives only; non-incentive costs shall be taken out of the Core-efficiency budget.

Commissioner Nowak dissents.

Rural and Underserved Customers

The Commission finds it reasonable for Focus to develop KPIs to target a percentage of incentive spend proportional to the percentage of rural customers in designated zip codes.

Commissioner Nowak dissents.

The Commission also finds it reasonable for the Program Administrator to conduct data gathering and analysis during the first year of Quad IV to better identify underserved customers, target program offerings, and develop KPIs and report back to the Commission on research results by March 31, 2024 or an alternative timeline deemed reasonable by Commission staff. This effort should emphasize underserved customers facing the highest energy burdens as well as small business customers.

Commissioner Nowak joins in the decision to conduct further data gathering but dissents on the inclusion of specific analysis target groups.

Environmental and Economic Research and Development Program (EERD)

The Commission finds it reasonable for Focus to increase the annual Economic Research and Development Program (EERD) budget to \$200,000 and Commission staff shall also identify alternative sources of funding for research during Quad IV.

Commissioner Nowak dissents.

Behavioral Program Approval by the Commission

The Commission finds it reasonable that Focus funds may be used for behavioral pilots at the discretion of the Program Administrator.

Commissioner Nowak dissents.

For those items where the Commission directed further research or analysis be conducted as part of Quad IV, Commission staff shall return to the Commission with recommendations as to the budget and timing for such additional research.

Phase III – Goals, Targets and Key Performance Indicators

The Commission reviewed goals, targets, and key performance indicator alternatives in Phase III for Focus ([PSC REF#: 447232](#)) at its open meeting of October 12, 2022.

Key Performance Indicators for Income-Qualified Programs

The Commission finds it reasonable to set a KPI to increase the number of applications received by the Tier II Income-Qualified program by six percent by 2024 over an average baseline from Quad III. The Program Administrator shall use the first quarter of 2023 to test a

new tool intended to simplify the qualification pathway and reduce customer barriers to applying for Tier II program incentives.

Key Performance Indicator for Rural Spending

The Commission finds it reasonable to set a KPI to target 31 percent of incentive spending in 2023 and 2024 for projects taking place in rural-designated zip codes in the state. The Commission finds that this spending target KPI is proportional to the state’s population residing in rural-designated zip codes, which is proportional to the 31 percent of rural customers in the designated zip codes for 2023 and 2024. The Commission finds it reasonable to set the KPI for the first two years of Quad IV, pending the results of the Program Administrator’s research on underserved customers due by March 31, 2024 or an alternative timeline deemed reasonable by Commission staff with research results.

Focus on Energy Savings Goals

The Commission finds it reasonable that the Quad IV Focus Gross Savings Goals shall be set as outlined in Table 1 below.

Table 1. Focus on Energy Savings Goals, 2023-2026

Type of Savings	Gross Lifecycle Savings Goal
Overall MMBtu Goal	185,692,431
Electric Savings Goal (kWh)	31,676,270,000*
Natural Gas Savings Goal (therms)	776,085,000*
Electric Demand Goal (kW)	293,900

*Figures are not adjusted to reflect 90 percent minimum performance requirement thresholds by fuel

Net Savings KPI

The Commission finds the status quo treatment of net savings in Quad III to be reasonable. Therefore, SEERA’s Quad IV proposed contract to the Commission for approval shall not factor the achievement of net savings into the performance bonus structure. The

Commission sets a Quad IV net portfolio lifecycle savings goal for itself based on the portfolio gross savings goals approved above. The portfolio net lifecycle savings goals shall be equal to the portfolio gross lifecycle savings goal multiplied by a net-to-gross ratio of 0.70.

Mid-Quad Review of Goals

The Commission finds it reasonable to not take any action on setting a mid-quad review of goals at this time.

Commissioner Huebner dissents.

Order

1. Focus should play a larger role in cost-effectively reducing carbon emissions and Quad IV should serve as a transitional period during which the program continues to emphasize energy savings but also seeks to make measurable progress toward a transition to greater emphasis on reducing carbon emissions.

2. The Evaluation Work Group (EWG) shall develop recommendations to operationalize enhanced measurement and tracking of the program's carbon emissions reduction impacts for the purposes of program evaluation and performance tracking.

3. Focus shall continue not to claim savings and other benefits from directly supporting beneficial electrification where fuel switching from unregulated fuels to electricity provided by a participating utility occurs through its own programs and offerings.

4. Focus shall use Quad IV as a transitional period to position the program to take on a larger role in promoting beneficial electrification statewide.

5. The Focus Program Administrator shall develop and maintain a menu of options for utility voluntary programs to be shared with participating Focus utilities.

6. Focus shall maintain its current level of support for utility demand response programs.

7. The Focus program shall continue to offer income-qualified programs but coordinate with the Department of Administration weatherization programs to further fill potential gaps in its low-income offerings and should additionally explore developing a community-based pilot(s) in one or more targeted communities.

8. The Focus Program Administrator shall convene a stakeholder group that includes community-based organizations that work with marginalized communities to gather input on effective methods to reduce barriers in order to effectively reach these customers. The Commission further directed the Focus Program Administrator to develop Key Performance Indicators for income-qualified programs for the Commission's consideration in Phase III of the Quad IV Planning Process.

9. The Commission directed Commission staff to establish an overall millions of Btu (MMBtu) saving goal with minimum performance requirement thresholds for kilowatt-hours (kWh) and therm savings set at 90 percent of fuel-specific goals.

10. Focus shall continue to maintain a four-year savings goal expressed in lifecycle savings, and shall continue to make first-year savings available for public reporting purposes.

11. Focus should continue to establish goals based on reductions in energy use and peak demand with more emphasis on energy use savings and associated emissions reductions. The Quad IV Program Administrator performance contract shall be structured to reflect this priority. Focus shall also perform additional research in Quad IV to assess strategies for achieving greater demand savings and better understand the additional value of demand savings.

12. Focus shall investigate opportunities to integrate the time-varying value of energy efficiency and renewable energy into program operations.

13. Focus shall adopt a winter electric peak period definition and begin quantifying and tracking winter electric peak savings in Quad IV. The Evaluation Workgroup (EWG) shall determine the appropriate winter peak period definition.

14. Focus shall adopt a winter natural gas peak period definition and begin quantifying and tracking winter natural gas peak demand savings in Quad IV. The EWG shall investigate and develop recommendations for estimating peak natural gas avoided costs for the Commission's consideration.

15. Focus shall allocate 60 percent of funds to Business programs and 40 percent to Residential programs.

16. Focus shall continue to emphasize near-term savings but shall increase the program's emphasis on long-term market transformation by identifying ways to adapt Focus' existing portfolio to achieve long-term market effects and develop strategies to support this direction. The Focus Evaluator shall report on the program's progress in support of this direction in annual evaluation reports. The Focus Evaluator shall develop an assessment of the Focus' market transformation potential in coordination with the Program Administrator and Commission staff, with input from stakeholders. This assessment shall, at minimum, identify the existing and emerging markets and technologies best suited for program intervention, theories of change for select markets, potential short-term, mid-term, and long-term market outcomes, appropriate market performance indicators, data collection plan(s), evaluation plan(s), and budgets. This assessment shall be delivered to the Commission prior to scoping for Quadrennial Planning Process V.

17. The Focus portfolio shall meet a modified Total Resource Cost (TRC) Test of net cost-effectiveness.

18. The following cost-effectiveness tests shall be used as secondary tests to be calculated and reported for additional information: Expanded TRC Test, Utility Cost Test, and Societal Test.

19. For purposes of evaluating Focus' cost-effectiveness, a benefits adder shall be applied to programs and offerings targeting customers below 60 percent of statewide median income in Focus' primary cost-effectiveness test. The EWG shall review available options and propose an approach for the Commission's consideration prior to the first program year evaluation of portfolio cost-effectiveness in Quad IV.

20. For purposes of evaluating Focus' cost-effectiveness, Focus shall continue to base electric avoided energy costs on a forecasted locational marginal price (LMP) across Wisconsin nodes.

21. For purposes of evaluating Focus' cost-effectiveness, Focus shall maintain the current approach to calculating avoided electric capacity costs based upon the unit cost of a peaker plant consistent with the approach approved by the Commission in Quad III.

22. For purposes of evaluating Focus' cost effectiveness, Focus shall maintain the current approach to calculating avoided transmission and distribution costs using an incremental cost approach based on recent transmission line investments reported in annual investor-owned utility reports and data requested and received from entities owning and operating electric transmission and distribution infrastructure in the state.

23. The EWG or EWG and a third party together shall present to the Commission during Quad IV for its consideration an alternative method (or multiple alternative methods) for

calculating avoided electric transmission and distribution costs for the purpose of evaluating Focus in the future. EWG or EWG and a third party shall submit its proposed recommendation prior to the first program year evaluation of portfolio cost-effectiveness in Quad IV, or by an alternative timeline deemed reasonable by Commission staff.

24. For purposes of evaluating Focus' cost-effectiveness, Focus shall maintain the current approach to calculating avoided natural gas costs 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.

25. Focus' cost-effectiveness tests shall value avoided CO₂ emissions using an updated market-based value. No later than September 30, 2023, the EWG shall provide a report to the Commission on alternatives for an appropriate market-based carbon value, at which time the Commission will select the preferred valuation.

26. Focus shall continue to use a discount rate of 2.0 percent in Focus' cost effectiveness tests.

27. Focus shall set a four-year maximum budget Key Performance Indicators (KPI) at \$22 million to give the Program Administrator the flexibility to shift funds between the Renewable and Core Efficiency budgets with approval from Commission staff. The maximum budget KPI is for incentives only; non-incentive costs shall be taken out of the Core-efficiency budget.

28. Focus shall develop a KPI to target a percentage of incentive spend proportional to percentage of rural customers in designated zip codes.

29. The Program Administrator is directed to gather additional data and conduct analysis during the first year of Quad IV to better identify underserved customers, target program

offerings, and develop KPIs. This effort shall emphasize underserved customers facing the highest energy burdens as well as small business customers. The Program Administrator shall report back to the Commission by March 31, 2024 or an alternative timeline deemed reasonable by Commission staff with the research results.

30. Focus shall increase the annual Economic Research and Development Program (ERD) budget to \$200,000 and Commission staff shall identify alternative sources of funding.

31. Focus funds may be used for behavioral pilots at the discretion of the Program Administrator.

32. For those items where the Commission directed further research or analysis be conducted as part of Quad IV, Commission staff shall return to the Commission with recommendations as to the budget and timing for such additional research.

33. Focus shall set a KPI to increase the number of applications received by the Tier II Income-Qualified program by six percent by 2024 over an average baseline from Quad III. The Program Administrator shall use the first quarter of 2023 to test the new qualification tool.

34. Focus shall set a KPI to target 31 percent of incentive spend which is proportional to the 31 percent of rural customers in the designated zip codes for 2023 and 2024.

35. The Quad IV Focus Gross Savings Goals shall be set as provided in Table 1 of this Final Decision.

36. The proposed contract to the Commission for approval shall not factor the achievement of net savings into the performance bonus structure. The Commission sets a Quad

IV net portfolio lifecycle savings goal for itself based on the portfolio gross savings goals approved above. The portfolio net lifecycle savings goals shall be equal to the portfolio gross lifecycle savings goal multiplied by a net-to-gross ratio of 0.70.

Dated at Madison, Wisconsin, the 14th day of November, 2022.

By the Commission:

A handwritten signature in black ink, appearing to read "Cru Stubley", with a long horizontal flourish extending to the right.

Cru Stubley
Secretary to the Commission

CS:KN:JF:TK:JP:JS:kle:jac DL: 01908394

See attached Notice of Rights

PUBLIC SERVICE COMMISSION OF WISCONSIN
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**NOTICE OF RIGHTS FOR REHEARING OR JUDICIAL REVIEW, THE
TIMES ALLOWED FOR EACH, AND THE IDENTIFICATION OF THE
PARTY TO BE NAMED AS RESPONDENT**

The following notice is served on you as part of the Commission's written decision. This general notice is for the purpose of ensuring compliance with Wis. Stat. § 227.48(2), and does not constitute a conclusion or admission that any particular party or person is necessarily aggrieved or that any particular decision or order is final or judicially reviewable.

PETITION FOR REHEARING

If this decision is an order following a contested case proceeding as defined in Wis. Stat. § 227.01(3), a person aggrieved by the decision has a right to petition the Commission for rehearing within 20 days of the date of service of this decision, as provided in Wis. Stat. § 227.49. The date of service is shown on the first page. If there is no date on the first page, the date of service is shown immediately above the signature line. The petition for rehearing must be filed with the Public Service Commission of Wisconsin and served on the parties. An appeal of this decision may also be taken directly to circuit court through the filing of a petition for judicial review. It is not necessary to first petition for rehearing.

PETITION FOR JUDICIAL REVIEW

A person aggrieved by this decision has a right to petition for judicial review as provided in Wis. Stat. § 227.53. In a contested case, the petition must be filed in circuit court and served upon the Public Service Commission of Wisconsin within 30 days of the date of service of this decision if there has been no petition for rehearing. If a timely petition for rehearing has been filed, the petition for judicial review must be filed within 30 days of the date of service of the order finally disposing of the petition for rehearing, or within 30 days after the final disposition of the petition for rehearing by operation of law pursuant to Wis. Stat. § 227.49(5), whichever is sooner. If an *untimely* petition for rehearing is filed, the 30-day period to petition for judicial review commences the date the Commission serves its original decision.¹ The Public Service Commission of Wisconsin must be named as respondent in the petition for judicial review.

If this decision is an order denying rehearing, a person aggrieved who wishes to appeal must seek judicial review rather than rehearing. A second petition for rehearing is not permitted.

Revised: March 27, 2013

¹ See *Currier v. Wisconsin Dep't of Revenue*, 2006 WI App 12, 288 Wis. 2d 693, 709 N.W.2d 520.