Public Service Commission of Wisconsin

Summer Strand, Chairperson
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4822 Madison Yards Way
P.O. Box 7854
Madison, WI 53707-7854

September 10, 2024

To the Parties:

Re: Quadrennial Planning Process IV 5-FE-104

Comments Due:	Address Comments To:
Monday, September 30, 2024 – 1:30 p.m.	**5-FE-104** Public Service Commission P.O. Box 7854 Madison, WI 53707-7854
This docket uses the Electronic Records Filing system (ERF). For help with ERF, please contact PSCRecordsMail@wisconsin.gov	

The Commission memorandum concerning Focus on Energy savings attribution when customers stack benefits from Focus on Energy and the Inflation Reduction Act Home Energy Rebate Programs is being provided to the parties for comment. Comments must be received by 1:30 PM on Monday, September 30, 2024. **Please indicate in the title of your comment that you are commenting on: Savings Attribution for Stacking of Benefits**. Party comments must be filed using the Commission's ERF system. The ERF system can be accessed through the Public Service Commission's website at https://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.

Sincerely,

Joe Fontaine
Administrator
Division of Digital Access, Consumer, and Environmental Affairs

JF:JS:kle:bs DL:02023103

Attachment: Memorandum

PUBLIC SERVICE COMMISSION OF WISCONSIN
Memorandum

September 10, 2024

FOR COMMISSION AGENDA

TO: The Commission

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

RE: Quadrennial Planning Process IV 5-FE-104

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

Savings Attribution when Customers Stack Benefits from Focus on Energy and the Inflation Reduction Act Home Energy Rebate Programs

Introduction

The purpose of this memorandum is to establish the appropriate framework to be applied in determining the energy savings and associated benefits that can be claimed by Focus on Energy (Focus) in situations where customers receive rebates from Focus and the Inflation Reduction Act (IRA) Home Energy Rebate (HER) programs for the same measure. The practice of combining rebates from separate funding sources for the same measure may sometimes be referred to as "layering", "stacking", or "co-funding".

Establishing the framework for claiming these energy savings at the beginning stages of the IRA HER programs is important in setting appropriate performance expectations for Focus. The framework that is applied may have implications on design and delivery of core Focus programs, achievement of performance goals and associated performance incentives, program evaluation, and cost-effectiveness.

Background

The IRA authorizes two residential rebate programs: the Home Efficiency Rebates Program (HOMES) and the Home Electrification and Appliance Rebate (HEAR) Program. Together, these programs are referred to as the Home Energy Rebate (HER) programs. Wisconsin is eligible to receive $74,756,512 for the HOMES program[1] and $74,470,200 for the HEAR program. With both programs, the IRA establishes that the appropriated funds are to remain available through September 30, 2031.

In its Decision of May 3, 2023, the Commission determined that Focus shall be the implementer of the HER programs. (PSC REF#: 466844.) The Commission's decision was made in recognition that leveraging existing statewide energy efficiency program infrastructure to deliver the HER programs presented administrative advantages to support deploying rebate funds more rapidly and at a lower cost compared to other program delivery options and that this approach would minimize market confusion that may come with separately implemented programs. As a condition of its Final Decision approving Focus to implement the HER programs, the Commission determined that IRA programs shall be funded and managed as separate programs and that the IRA programs shall not be included in the Focus portfolio. Commission staff have worked to establish contractual arrangements and administrative processes to ensure that IRA and Focus funds are tracked and managed separately.

[1] The HOMES funding allocation is slightly lower than the amount previously cited in other Commission memoranda, $74,904,830. The U.S. Department of Energy modified each state's HOMES funding allocation in May 2024 to reflect administrative funds provided to the U.S. Department of Energy Office of Inspector General. This modification only impacts the HOMES funding allocation.

In its Order of June 13, 2024, the Commission made several policy decisions to guide the direction of the HER programs in Wisconsin and directed staff to finalize program applications for submission to the U.S. Department of Energy (U.S. DOE). (PSC REF#: 505286.) Wisconsin's HOMES and HEAR applications were submitted to the U.S. DOE on May 4, 2024. The U.S. DOE approved Wisconsin's HOMES program application on June 27, 2024, and Wisconsin's HEAR program application on July 1, 2024. The U.S. DOE approved Wisconsin's Implementation Blueprints for both its HOMES program and HEAR program on July 24, 2024. Wisconsin's HOMES program was launched on August 1, 2024. As of the time of this writing, Wisconsin's HEAR program is being prepared for launch in fall 2024.

Energy Savings Under the IRA HER Programs

The U.S. DOE has developed guidance for states in the design and implementation of the HER programs.[2] The agency encourages program administrators of existing energy efficiency programs to integrate HER program rebates with existing offerings to enable a streamlined customer experience as well as to increase the overall amount of funding available to households (particularly low-income households) interested in performing projects that save energy and money.[3] Additionally, the U.S. DOE has provided guidelines for leveraging other sources of funding with HER programs. Non-federal funding sources, including utility and third-party energy efficiency programs, can co-fund any remaining costs for a single upgrade or qualified

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[2] U.S. Department of Energy Office of State and Community Energy Programs. June 17, 2024. *Home Energy Rebate Programs Requirements and Application Instructions*. Home Energy Rebate Programs Requirements and Application Instructions | Department of Energy.
[3] U.S. Department of Energy Office of State and Community Energy Programs. *Integrating Home Energy Rebates with Existing Programs*. https://www.energy.gov/scep/slsc/home-energy-rebates-program/integrating-home-energy-rebates-existing-programs.

electrification project beyond the value of the federal rebate up to 100 percent of the total project cost.[4]

The U.S. DOE has not established energy savings goals for either HOMES or HEAR. The U.S. DOE considers utility program efforts and federal efforts as collaborative and recommends that states work with existing programs to maximize the ability for existing programs to count savings toward co-funded projects.[5] States are required to collect certain project level energy savings information for each HOMES rebate transaction and report portfolio level savings (in kWh equivalent) to the U.S. DOE monthly.[6] States are not required to collect or report energy savings information to the U.S. DOE as part of the requirements for implementing HEAR as its principal objective is to accelerate the transition to low carbon appliances in low-to-moderate income homes.

Many of the energy-saving measures authorized for rebates under the HER programs are also available to eligible customers through Focus. These measures include insulation and air sealing, air-source heat pumps, and heat pump water heaters.[7] Focus will continue to offer rebates for these measures to eligible customers as part of its residential portfolio of programs

[4] U.S. Department of Energy Office of State and Community Energy Programs. January 11, 2024. *Guidelines for Leveraging Other Funding Sources with Home Energy Rebates*. https://www.energy.gov/scep/articles/guidelines-leveraging-other-funding-sources-home-energy-rebates.

[5] https://www.energy.gov/sites/default/files/2023-10/Home-Energy-Rebates-Evaluation-Recommendations.pdf.

[6] For states implementing the Modeled path for HOMES, the U.S. DOE requires program administrators to report modeled or measured site energy use before the retrofit and estimated energy use after the retrofit in kWh equivalent. For states implementing the Measured path for HOMES, the U.S. DOE requires program administrators to report modeled or measured site energy use before the retrofit and actual energy use after the retrofit. Reporting in kWh equivalent reflects the energy savings of all fuels in the project using the energy conversion of non-electric fuels to kWh on a BTU-equivalent basis.

[7] The IRA HOMES program design requires participants to achieve minimum energy saving levels under either a modeled or measured pathway. The IRA HOMES program specifies rebate tiers based on minimum savings thresholds for the entire project. These rebate tiers are measure-agnostic, meaning any combination of approved measures can be installed to achieve the savings threshold. Therefore, other measures incented by Focus (e.g., furnaces) may be combined with IRA HOMES program rebates if those measures are among the upgrades completed by the participant to achieve the specified savings levels.

once the IRA HER programs have launched.[8] Moreover, Focus intends to allow and encourage eligible customers to combine rebates from Focus with HER program rebates for qualified measures. This stacking of rebates has the potential to reduce the upfront cost of energy saving projects, thereby accelerating adoption of energy efficient appliances and practices.

The introduction of the HER programs into the Wisconsin market, combined with the Commission's direction for Focus to implement the programs alongside its existing statewide programs while maintaining appropriate separation of funding raises questions regarding Focus' ability to claim energy savings toward its goals when the customer receives a Focus rebate and an HER program rebate for the same project.

[8] Co-funding of Focus rebates and IRA HER program rebates will only occur in situations where participants are eligible for both rebates. Households that are not customers of a participating Focus utility will not be eligible for Focus rebates. However, they may be eligible for IRA HER program rebates.

Discussion

The Commission has authority under Wisconsin Stat. § 196.374(3)(b)1 to set the goals, priorities, and measurable targets for Focus programs. Focus' energy savings and demand reduction goals are established by the Commission every four years during a Quadrennial Planning Process. The energy savings and demand reduction goals set by the Commission are among the key performance indicators (KPIs) that are incorporated into the Focus Program Administrator's contract with the Statewide Energy Efficiency and Renewable Administration (SEERA), which collectively represents the investor-owned utilities responsible for establishing and funding Focus. Past and current contracts between the Program Administrator and SEERA have established mechanisms whereby the Program Administrator is eligible for a financial bonus for meeting or exceeding the Commission's savings goals and is subject to a financial penalty for failure to achieve the Commission's savings goals. The terms and structure of the KPI penalty and bonus provisions in the contract are negotiated between SEERA and the Program Administrator and must be approved by the Commission.

Energy savings achieved by an energy efficiency and renewable resource program can be characterized as either gross savings or net savings. In each Quadrennial Planning Process, the Commission has set the Program Administrator's goals in verified gross savings, which represent all savings resulting from program actions that are verified by an independent third-party evaluator. The Commission has also historically set its own savings goals for the program expressed in verified net savings. Net savings are the portion of verified gross savings that an independent third-party evaluator can confidently attribute to the influence of the program.

The sections below distinguish the types of savings and their role in Focus' performance metrics. This is followed by examples where Focus funds may be combined with other funding sources and the existing approach for claiming savings in those instances. Next, staff present an analysis of potential approaches for claiming savings and assessing attribution when Focus funds and outside funding, including funding from IRA HER programs, are combined to support the same project. The memorandum concludes with decision alternatives seeking the Commission's guidance for how savings for projects where customers receive funding from Focus and from other sources for the same measures should be treated for purposes of claiming savings toward program performance goals as well as how attribution, as defined by Wisconsin Administrative Code, should be approached in these situations.

Gross Savings

The Focus Policy Manual[9] defines gross savings as: "The unadjusted program-reported change in energy consumption or demand resulting from efficiency program-related actions taken by participants."[10] This definition refers to the savings reported in the implementation database prior to any third-party verification. During the annual program evaluation cycle, the Focus third-party evaluator reviews these unadjusted savings (also referred to as *ex ante* savings) and performs various processes to produce verified gross savings or *ex post* gross savings.[11] Gross savings that are verified by the Focus Evaluator are claimed toward the quadrennial savings goal set by the Commission.

The contract between SEERA and the Focus Program Administrator, APTIM, establishes criteria for the Program Administrator to earn a monetary bonus or incur a penalty based on the

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[9] Focus maintains a Policy Manual whose purpose is to provide a reference for various parties interacting with the program on overarching policies and procedures. The Policy Manual is updated annually to perform such functions as clarifying existing program implementation and administrative policies and procedures or adding definitions, policies, or procedures to address new administrative or implementation issues. All changes to the Policy Manual are reviewed by the Focus Compliance Agent and approved by Commission staff before they are adopted.
[10] https://assets.focusonenergy.com/production/inline-files/2023/Focus-on-Energy-Policy-Manual-2023.pdf
[11] Evaluator verification processes may include a database review to check for entry errors, inconsistencies, ineligible equipment, baseline assumptions, and engineering inputs as well as performing participant site visits or phone surveys for a sample of projects to verify project application details.

amount of savings achieved relative to the verified gross savings goals established by the Commission. (PSC REF#: 457108.) Under its current contract with SEERA, APTIM is eligible to receive a financial bonus for achieving 100 percent of the Commission's quadrennial gross savings goal. APTIM is eligible for higher bonus amounts upon achieving greater than 100 percent of the Commission's goals. To balance the contract's bonus provisions, APTIM is also subject to financial penalty for failure to achieve at least 95 percent of the quadrennial gross savings goal. Penalty amounts increase with lower levels of verified gross savings achieved.

Net Savings

The Focus Policy Manual defines net savings as: "Savings net of what would have occurred in the program's absence (observed impacts attributable to the program)." Net savings attribution is defined in Wis. Admin. Code § PSC 137.01(1) to encompass both free-ridership and spillover. Free-riders are program participants who would have adopted the energy efficient measure in the program's absence. An example of a free-rider may be a customer who purchased an energy efficient product and later learned of and received a program rebate for that product. Net savings exclude gross savings from Focus projects associated with free-ridership, but also add in savings from non-Focus projects where evaluation can identify participant or non-participation spillover. Participant spillover occurs when wherein program participants adopt more energy saving measures due to the influence of the program, without receiving program incentives. An example of participant spillover may be a customer who purchases additional high efficiency equipment following their participation in a Focus offering but does not receive a program rebate for the appliance. Net savings also incorporate non-participant spillover associated with eligible customers who did not participate in the program yet adopted energy saving measures or practices in ways that can be attributed to the influence of the program.

These may be customers who received information from the program that influenced their decision to install a high efficiency appliance but did not receive a program rebate for the appliance.

Wisconsin Admin. Code § PSC 137.05(12) adds that the Program Administrator shall deliver programs that pass a portfolio level test of net cost-effectiveness. Wisconsin Admin. Code § PSC 137.01(7) defines "net cost-effectiveness" to mean the extent to which an energy efficiency program or renewable resource program is cost-effective, after being adjusted for attribution. Therefore, net savings are used in calculating program- and portfolio-level estimates of net cost-effectiveness.

The Focus Evaluator undertakes research and analysis to quantify free-ridership and spillover impacts and estimate the proportion of verified gross savings net of what would have occurred in the program's absence. This proportion is referred to as the net-to-gross (NTG) ratio. The Focus Evaluation Team employs multiple industry-accepted methods to quantify net savings. Participant self-report surveys are a common and cost-effective method often utilized. Participant self-report surveys ask program participants a set of questions designed to assist them in recalling their decision-making process for completing a project incentivized by the program. Responses to questions are used to assess to what degree participants intended to purchase a measure in absence of the program and how influential the program was on their decision to make the purchase. Questions are designed to isolate the impact of program factors, such as Focus incentives, support, and education, by determining what actions the participant would have taken in absence of the program factors. The Evaluator derives free-ridership scores based on these responses. These scores can reflect a range of outcomes from no free-ridership (full attribution), partial free-ridership (e.g., customer had plans to install the measure but the program offering influenced installation timing, number of measures installed, or efficiency level of the installed measure), or full free-ridership (customer would have installed the measure without the offering or they installed the measure before learning about the offering). The methodology does not specifically address the influence of outside funding or stacked incentives but considers them a "non-program" factor when defining the counterfactual scenario.

Net savings are an important performance metric used to understand the portion of the total change in energy consumption measured by a program (gross savings) that can be directly attributed to the actions of the program (i.e., net of free-riders and spillover impacts). By measuring a program's influence, analysis of net savings can be useful in informing program design. As explained in this section, net savings are also used to measure the net cost-effectiveness of Focus, consistent with administrative code. Certain factors involved in measuring net savings attribution can be outside the control of the program. Consequently, since Quad I of Focus, the Commission has preferred to evaluate the Focus Program Administrator's performance by setting gross savings goals, determining gross savings are a more appropriate metric for evaluating whether a Program Administrator is achieving contract goals.[12]

Current Framework for Claiming Savings for Co-Funded Projects

Under Wis. Stat. § 196.374(3)(a), the Commission is charged with maximizing the coordination of Focus program delivery with other energy efficiency and renewable programs operating in the state. This coordination may take on multiple different forms. For example, the Commission has ordered Focus to formalize its coordination with certain utility voluntary programs[13] and has directed the program to enhance its coordination with the Department of Administration's low-income offerings. (PSC REF#: 453081). The Commission also considers

[12] PSC REF#: 158228.
[13] See for example: PSC REF#: 426597 and PSC REF#: 359996.

Focus incentives as an appropriate source of match funds when reviewing applications for the Energy Innovation Grant Program (EIGP).

In practice, Focus actively cross-promotes availability of funds participants can leverage for their projects that are in addition to incentives funded by Focus. Outside entities with funding available to support clean energy projects may find value in partnering with Focus due to its outreach and marketing capabilities and statewide reputation as a trusted source of information on energy efficiency and renewable energy topics. It is also worth noting that for some projects receiving a rebate, grant, or incentive from an outside source, Focus may provide services to the customer instead of, or in addition to, financial assistance. For example, Focus subject matter experts may provide technical assistance to the customer in the process of project planning and may support their effort to prepare grant application materials.

Table 1 provides examples of ways that a Focus participant may combine funding sources with Focus rebates or incentives for the same project or measure. The amount of co-funding a customer receives as well as the timing and method for receiving the outside funding can vary significantly depending on the scope of the project and the funding source that is leveraged. Other examples beyond those shown in Table 1 may occur; however, they are not systematically tracked by Focus. Table 1 illustrates that there are numerous examples of co-funding of projects with Focus incentives and other energy efficiency and renewable resource funding sources. Except where noted in the table, Focus claims 100 percent of the gross savings from projects co-funded with the outside funding sources toward its contractual savings goal.

Table 1. Examples of Current Co-Funding Opportunities for Focus Participants

Funding Source	Type	Co-Funding Description
Wisconsin State Energy Office Energy Innovation Grant Program (EIGP)	Federal Grant	Applicants may apply Focus incentives and EIGP grants for the same measures.
U.S. DOE State Energy Program (SEP) – Rural and Agricultural Incentives[1]	Federal Grant	Participants may apply Focus incentives and SEP incentives for the same eligible measures. Focus claims the gross electric savings associated with qualified projects delivering incentives for energy efficient propane systems.
Energy Efficient Home Improvement Tax Credit or Residential Energy Clean Property Credit	Federal Tax Credit	Households may receive a Focus incentive for measures eligible for tax credits.
Internal Revenue Code (IRC) Section 179D - Energy Efficient Commercial Building Property (EECBP) or Energy Efficiency Commercial Building Retrofit Property (EEBRP)	Federal Tax Deduction	Businesses may receive a Focus incentive for measures eligible for tax deductions.
Energy-Efficient New Homes Tax Credit for Home Builders	Federal Tax Credit	Builders may receive a Focus incentive for new construction projects eligible for tax credits.
Sales Tax and Use Exemptions Solar Photovoltaic (PV)[2]	State Tax Exemption	Households and businesses may receive a Focus incentive for eligible Solar PV installations that are also eligible for state tax exemption.
Utility Voluntary Programs for Low-Income Weatherization[3]	Utility Incentive	Households may receive a Focus incentive and utility voluntary program incentive for the same project.
Utility Voluntary Programs – Bonus Incentives for Focus Participants[4]	Utility Incentive	Utility voluntary program incentives are stacked with Focus incentives for the same measures.
Utility Voluntary Programs – Supplemental Funding to Extend the Budget of Focus Programs[5]	Utility Incentive	Focus provides a platform for the delivery of the utility voluntary program incentives, but does not co-fund the project. The utility reimburses Focus for incentives and administrative costs incurred in supporting projects. Focus does not claim any gross savings for the project.
Utility Customer Service Conservation – WPS Habitat for Humanity Grant[6]	Utility Incentive	Habitat for Humanity organizations may receive a utility-funded incentive and a Focus incentive for eligible residential new construction projects.
MadiSUN Solar Rebates[7]	Local Government Rebate	Households and businesses may use the local government rebate and Focus rebate to co-fund the Solar PV project.

Funding Source	Type	Co-Funding Description
Manufacturer Rebates	Private Sector	Households and businesses may receive both a Focus rebate and a manufacturer rebate for the same measure.

1. https://focusonenergy.com/business/propane.
2. See Wisconsin Administrative Code § Tax 11.10
3. Wisconsin Power & Light (WPL), Wisconsin Public Service Corporation (WPS), and We Energies have been approved by the Commission to fund and administer voluntary programs.
4. Northern States Power – Wisconsin has been approved by the Commission to fund and administer voluntary programs that provide Focus participants with an additional incentive funded from a separate utility-funded budget. A few municipal electric utilities also provide matching rebates (match portion varies) for certain projects and equipment.
5. We Energies has been approved by the Commission to fund and administer the Voluntary Design Assistance Program (VDAP) which provides supplemental funding to the Focus Design Assistance Program to provide for additional availability of program services to customers in the We Energies service territory once the budget for the statewide Focus Design Assistance Program has been exhausted.
6. WPS offers grants to Habitat for Humanity organizations building new homes in their service territory if the organization implements certain energy efficiency building standards/technologies or is certified by the Focus New Homes Program. Organizations are eligible to receive up to $1,500 per home.
7. https://madisunsolar.com/.

Past Gross Savings Attribution Frameworks Applied

American Recovery and Reinvestment Act

Funding from the American Recovery and Reinvestment Act of 2009 (ARRA) invested more than $90 billion in clean energy across the country.[14] Wisconsin received $313.9 million in formula and competitive grants and tax credits of which $5.4 million was awarded to implement an appliance rebate program.[15] The appliance rebate program was administered by Focus. The program offered incentives for a variety of energy efficient appliances including dishwashers, freezers, refrigerators, clothes washers, water heaters, furnaces, boilers, central air conditioners,

[14] The White House Office of the Press Secretary. February 25, 2016. *Fact Sheet: The Recovery Act Made the Largest Single Investment in Clean Energy in History, Driving the Deployment of Clean Energy, Promoting Energy Efficiency, and Supporting Manufacturing*. https://obamawhitehouse.archives.gov/the-press-office/2016/02/25/fact-sheet-recovery-act-made-largest-single-investment-clean-energy#:~:text=Through%20the%20American%20Recovery%20and,low%2Dcarbon%20technologies%2C%20and%20leveraging.

[15] U.S. Department of Energy. *Department of Energy Recovery Act State Memos: Wisconsin*. https://www.energy.gov/articles/wisconsin-recovery-act-state-memo.

air-source heat pumps, geothermal heat pumps, and solar hot water systems.[16] As documented in a Lawrence Berkeley National Laboratory (LBNL) report from 2011, Focus received all energy savings credit for the appliances in the above list it already provided rebates for and still considered cost-effective.[17] Focus did not claim savings for those appliances eligible for ARRA rebates that were not already offered as part of the Focus portfolio.

Wisconsin Public Service Corporation iCanConserve Pilots

Wisconsin Public Service Corporation (WPSC) implemented territory-wide energy efficiency pilot programs during 2009-2011. These programs – named "iCanConserve," were approved as part of stipulation with the Citizens Utility Board (CUB) in WPSC's rate case (PSC Docket 6690-UR-119). (PSC REF#: 106184.) The programs were designed to integrate with the existing Focus offerings to provide incentives to customers who also received benefits through Focus. The Focus third-party evaluator determined that the WPSC programs did not provide incrementally higher energy savings through additional technologies and therefore found "there is not significant evidence that these savings should be excluded from the Focus umbrella and allocated to the WPSC Territory-wide Initiatives only".[18] Focus claimed all savings from projects receiving funding from both sources.

Approaches From Other Jurisdictions

The LBNL report from 2011 cited above provides insights into the approaches used in other states to allow existing energy efficiency programs to claim savings from projects co-

[16] Content, T. (2010, April 5). Appliance rebate cash going fast. *Milwaukee Journal Sentinel*. https://archive.jsonline.com/business/89883702.html.
[17] Goldman, C., Stuart, E., Hoffman, I., Fuller, M., and Billingsley, M. March 2011. *Interactions between Energy Efficiency Programs funded under the Recovery Act and Utility Customer-Funded Energy Efficiency Programs*. Ernest Orlando Lawrence Berkeley National Laboratory, Environmental Energy Technologies Division. https://emp.lbl.gov/publications/interactions-between-energy.
[18] Tetra Tech. April 11, 2011, Revised June 17, 2011. *State of Wisconsin Public Service Commission of Wisconsin Focus on Energy Evaluation Annual Report (2010)*. Semiannual Report First Half of 2009 (focusonenergy.com)

funded with ARRA dollars. According to the Northeast Energy Efficiency Partnership (NEEP), though the types of programs states funded with ARRA dollars varied, the implementation of ARRA State Energy Program (SEP) is the most directly comparable process to implementation of IRA HER programs. The LBNL study examined the attribution methodology applied in twelve states leveraging ARRA funds to deliver energy efficiency incentives that could be combined with utility or third-party administered programs. Six of the 12 states allowed existing energy efficiency programs to claim all savings from programs that leveraged ARRA funding. Five states including Wisconsin applied a proportional or negotiated approach to attribution specific to their unique program designs.[19] One state, New York, chose not to integrate ARRA funds with utility-administered programs so as not to disrupt existing program design and because regulators were unsure how to handle savings attribution when separate funding sources were combined.[20]

More recently, the California Public Utilities Commission (CPUC) considered its approach for determining program costs and benefits for multiple separate building decarbonization programs enacted by in response to state legislation.[21] The programs each offer incentives for electric heat pump water heaters (HPWHs), electric heat pump heating, ventilation, and air conditioning (HVAC) systems, and related devices that enable these technologies to achieve full functionality. Each program is funded from different sources and have different design requirements, goals, and evaluation methodologies. Incentives from

[19] See discussion in the American Recovery and Reinvestment Act section above for a description of the negotiated savings attribution conditions applied in Wisconsin.
[20] The New York state energy office, New York Energy Research and Development Authority (NYSERDA), offered rebates similar to existing utility programs and customers could choose which program to participate in.
[21] Before the Public Utilities Commission of the State of California, Order Instituting Rulemaking Regarding Building Decarbonization, Decision on Incentive Layering, the Wildfire and Natural Disaster Resiliency Rebuild Program, Data Sharing, Rate Adjustments for Electric Heat Pump Water heaters, and Propane Usage. Rulemaking 19-01-011, (November 9, 2021). Accessed from: https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M421/K107/421107786.PDF.

different programs can be layered to encourage customer participation. The CPUC established four guiding principles stating that layered programs should focus on ensuring: 1) ease of participation, 2) complementary incentives can be applied to address barriers to decarbonization, 3) non-duplicative attribution of program benefits, and 4) ongoing coordination between program administrators and implementers. The CPUC further established non-binding guidance allowing programs with one primary target (e.g., energy savings) to claim credit for all achievement of that benefit, even though other programs are likely also influencing customer adoption. This approach was adopted to promote administrative efficiency and regulatory certainty for programs that are clearly not duplicative of others.

A settlement agreement in Illinois established a framework for claiming savings when multiple utilities in the state contributed funds to the Illinois Home Weatherization Assistance Program (IHWAP) to leverage the statewide program in serving income-qualified customers with comprehensive energy efficiency retrofits.[22] Parties to this agreement included utilities, the Illinois Attorney General's Office, the Illinois Commerce Commission, and the Natural Resources Defense Council. In the settlement, the parties agreed that utilities may claim 100 percent of the energy savings supported by utility contributions and implemented within the utility's service territory so long as the utility provides at least a 50 percent contribution to the total "all-in" IHWAP costs incurred in connection with the specific measures supported by utility funding.

In addition to identifying the historical sources above related to other types of programs, Commission staff also performed outreach to a selection of other states to understand their

[22] Claiming Savings from Income Qualified Weatherization Programs Where Multiple Entities Provide Funding: Settlement Stipulation. Accessed from: Executed_IHWAP_Stipulation_on_Savings_Attribution_2019-01-24.pdf (ilsag.info).

policies and considerations in allowing existing energy efficiency programs to claim savings for projects co-funded with IRA HER rebates. Because Wisconsin's HER programs are further along in their implementation, including by being the first state to launch a HOMES program, this outreach found other states have not established policies or regulatory decisions to guide this issue and Wisconsin may become the first state to do so. However, a number of states have discussed and begun developing proposed approaches to the issue, and selected findings from staff outreach are provided below.

Energy Trust of Oregon (ETO), which, similarly to Focus, operates an energy efficiency program collectively on behalf of multiple utilities, will be a sub-contractor to the Oregon Department of Energy to offer HER program rebates to the investor-owned utility customers it serves. It will be delivering both HER program rebates and ratepayer funded rebates. According to ETO staff, savings claims in ratepayer funded energy efficiency programs are not impacted by the provision of co-funding from IRA rebate programs or other complementary funding from non-ratepayer sources.[23] However, administrators must exercise reasonable discretion in claiming savings for co-funded projects. For example, ETO would not be allowed to apply a $1 incentive to an HVAC upgrade as a means for low-cost savings acquisition.

NYSERDA has not adopted a formal approach to claiming savings from projects that stack NYSERDA-based programs with HER program funds. However, NYSERDA staff indicate that NYSERDA will claim all savings for co-funded projects and count the savings toward their tracked, statewide total savings.[24]

NEEP assembled a working group in 2023 to develop guidance for program administrators and state regulatory agencies navigating the issue of how to approach claiming

[23] Email correspondence with Sarah Castor, Energy Trust of Oregon. June 17, 2024.
[24] Email correspondence with John Williams, NYSERDA, June 14, 2024.

savings when IRA HER program rebates are combined with rebates from existing energy efficiency programs. The working group included experts in the field of energy efficiency program evaluation, measurement, and verification (EM&V). The guidance developed by the NEEP working group is discussed in detail in the next section of this memorandum.

Gross Savings Attribution Frameworks

NEEP published a guidance document in July 2024 to assist state regulatory agencies in determining the appropriate gross savings attribution framework to apply for their situation.[25] NEEP offers four frameworks for states to consider. According to NEEP, the framework most appropriate for an individual program is dependent upon the role the incumbent program administrator(s) play in achieving the results.

1. **Full Attribution**

Under the full gross savings attribution framework, current program administrators are authorized to receive full credit for savings from projects that combine IRA rebate funding and ratepayer funds. Under this framework, NEEP recommends states consider adjusting NTG ratios to account for any changes in the incentive and program structure of existing energy efficiency programs that result from the presence of IRA programs. Absent changes to the existing program design, maintaining existing NTG ratios may be appropriate.

NEEP recommends the full gross savings attribution framework in scenarios where current program administrators are implementing HER programs, and the administrator can ensure that all federal resources for marketing, implementation, and reporting are handled within the current implementation structure. NEEP also recommends this framework when the HER

[25] Northeast Energy Efficiency Partnership. July 2024. *Expanding the Energy Savings Pie: Attribution Frameworks to Align IRA Home Energy Rebates and State Programs*. https://neep.org/sites/default/files/media-files/neep_attribution_frameworks_ira_final.pdf.

program administrator intends to leverage the existing ratepayer program's infrastructure to reach similar markets.

As noted above, the Commission has determined it is appropriate to leverage the existing Focus infrastructure and contractor networks to deliver the HER programs. (PSC REF#: 466844.). A memorandum of understanding (MOU) executed between the Commission, SEERA, APTIM, and the Focus systems administrator and fiscal agent, Wipfli, LLP, establishes the collaborative framework for this delivery model. (PSC REF#: 493079.) Moreover, the Wisconsin HER programs will target similar markets as existing Focus programs (i.e., single family and multifamily residential customers throughout the state). Additionally, Focus will continue to provide rebates for measures it has historically offered and that are also eligible for HER program funding to encourage customer participation in both programs.

2. Proportional Attribution

Under a proportional gross savings attribution framework, Program administrators are allowed to claim partial savings from a project where co-funding occurs. With this framework, proportionality is typically determined by considering a program's proportion of the full incentive received by the participant for the project. To illustrate the proportional gross savings attribution framework, consider a scenario where a customer installs an air-source heat pump (ASHP) and receives both a Focus rebate and a HEAR program rebate for the equipment. The customer is eligible to receive a $500 rebate from Focus and an $8,000 rebate from the HEAR program, for a total rebate of $8,500. Under a proportional gross savings attribution framework, Focus would claim 5.9 percent ($500/$8,500) of the savings resulting from the project. The remaining savings would not be claimed. With this example, Focus claims a fraction of the savings per ASHP it claimed prior to implementing the HEAR program, thereby leading to significantly higher cost of acquisition of the savings and creating a disincentive for the program to offer the rebate (see Table 2).

Table 2. Proportional Gross Savings Attribution Framework: Potential Impact on Cost of Acquisition

	Before HEAR Program Launch	**After HEAR Program Launch**
Focus ASHP Rebate	$500	$500
IRA ASHP Rebate	$0	$8,000
Focus Proportion of ASHP Rebate	100%	5.9%
ASHP Gross Savings	681 LC MMBtu	681 LC MMBtu
Focus Claimed Gross Savings	681 LC MMBtu	40 LC MMBtu
Focus Cost of Acquisition	**$0.73/LC MMBtu**	**$12.50/LC MMBtu**

The example presented above provides a straightforward analysis of proportional attribution that may occur when a customer installs a single piece of equipment and receives both a Focus and HEAR program rebate for that equipment. Proportional attribution scenarios for the HOMES program are likely to be more complicated since whole-home projects often involve multiple, interactive measures that produce an overall energy savings impact for the home. Furthermore, households participating in the HOMES program may perform upgrades that are not eligible for Focus rebates, but that contribute to their modeled energy savings estimate determining eligibility for the program. For example, Focus does not currently offer rebates for installing ENERGY STAR® rated windows and doors, however these are eligible measures under HOMES.

NEEP recommends states consider a proportional framework in situations where the current energy efficiency program administrator will provide minimal or no support to the HER program implementer in delivering the programs. The Commission’s direction to leverage the Focus infrastructure and contractor networks to implement the HER programs does not appear to be aligned with NEEP’s guidance to states in considering applying a proportional gross savings allocation framework. A proportional framework would also add significant administrative complexity to calculate, track, and report the savings attributed to Focus. It would also introduce a disincentive for the Program Administrator to maintain rebate amounts (or offer rebates) for projects and measures that can be co-funded with IRA HER programs which could impact customer experiences and expectations that combined funding sources could be leveraged to realize enhanced benefits.

3. Negotiated Attribution

NEEP identifies the negotiated gross savings attribution framework as an option when program administrators and regulators would prefer to negotiate the conditions determining the portion of total project savings for co-funded projects that may be claimed. Wisconsin's approach to claiming savings for ARRA funded appliance rebates would be characterized as negotiated attribution because it included conditions prohibiting Focus from introducing new measures into the program to be co-funded with ARRA rebates if those measures had not already proven to be cost-effective. With a negotiated framework, agreed upon conditions are typically established prior to the start of a program.

NEEP recommends states consider a negotiated gross savings attribution framework if the existing energy efficiency program serves the same or similar market as the HER programs and existing program rebates will be stacked with HER program rebates and the parties prefer to negotiate the terms. While these are similar to the conditions NEEP recommends states consider in determining whether the full gross savings attribution framework should apply, a negotiated gross savings attribution framework may be considered in situations where it is concluded that neither full attribution nor proportional attribution are appropriate. A negotiated gross savings attribution framework may be preferred to a full gross savings attribution framework if there is concern that full attribution would result in disproportionate additional savings for program administrators. A negotiated gross savings attribution framework may be preferred to a proportional gross savings attribution framework if the model for program administration accounts for factors beyond just the amount of program incentives customers receive including the ability to leverage existing relationships with contractor networks, administrative infrastructure (e.g., data and accounting systems), and reputational considerations (e.g., consumer trust and brand recognition).

The precedent applied to the ARRA funded programs administered by Focus restricted the use of federal funding to introduce measures into the Focus portfolio that had not already proven to be cost-effective. This is an example of a negotiated attribution framework that the Commission may find a reasonable reference point for IRA funded programs administered by Focus. This approach would effectively prohibit Focus from offering rebates for ENERGY STAR heat pump clothes dryers and ENERGY STAR induction stoves, ovens, and cooktops as these measures have not proven to be cost-effective using Focus' primary cost-effectiveness test and are not currently offered by Focus. Leveraging IRA funds to introduce measures not previously offered by the program could be viewed as piggybacking onto a new funding source to achieve savings that otherwise would not have been available under the program design historically in place for Focus. Conversely, leveraging federal funds to introduce new measures into the Focus portfolio may be an opportunity for Focus to expand services to customers, accelerate adoption of these technologies, and spur the development of markets for these products in Wisconsin. The Commission may find that the strategy of introducing new measures aligns with Wis. Stat. § 196.374(2)(a)2.c which requires Focus to include initiatives and market strategies that address the need 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 sells or energy services that the individual or business provides.

4. No Attribution

Under a no gross savings attribution framework, existing program administrators do not receive any savings attributed to IRA HER program rebates. NEEP describes a no gross savings attribution framework as an option for states where IRA HER programs do not overlap with existing energy efficiency programs, either by offering different measures, serving different market segments, or both.

The Wisconsin HER programs will be implemented in close coordination with Focus while leveraging its pre-existing structure. Co-funding for the same measures will be allowed and encouraged. Accordingly, a no gross savings attribution framework does not appear to align with Wisconsin's programmatic arrangements.

Commission Alternatives – Gross Savings Attribution Framework

The sections above summarize the considerations in selecting the appropriate gross savings attribution framework for projects and measures co-funded with Focus ratepayer dollars and federal IRA HER program dollars. NEEP's efforts in convening EM&V experts to guide states' decisions on the appropriate framework to match their situations provide a nationally informed resource specific to the considerations associated with IRA HER programs, and the Commission may wish to take this guidance into account in making its decision. NEEP states that its proportional attribution and no attribution frameworks are designed for states that are not implementing their IRA HER programs in close coordination with other existing programs, which does not appear aligned with Wisconsin's approach to coordinating IRA HER with Focus. On the other hand, NEEP's full gross savings attribution framework or negotiated gross savings attribution framework are both more aligned with the state's coordinated approach and may be considered to inform Wisconsin's approach to attribution.

Under Alternative One, the Commission would apply a full gross savings attribution framework for co-funded projects and measures. A full attribution framework would be administratively simple to implement and would recognize the value of Focus' role in delivering IRA HER programs. The Commission may find that a full attribution framework aligns with its direction to leverage existing Focus program infrastructure to deliver IRA HER programs and will serve to foster coordination in a manner enables effective program delivery and a positive customer experience.

Alternative Two is to apply a negotiated gross savings attribution framework. The Commission may find this approach reasonable if it wishes to impose certain terms or guidelines for how Focus claims gross savings for projects and measures funded through the IRA HER programs. Staff, in consultation with the Evaluation Work Group (EWG), did not identify any negotiable terms suitable for consideration other than the precedential approach from ARRA whereby Focus was not allowed to claim savings for new measures introduced into the portfolio that had not already proven to be cost-effective. Considerations of carrying this precedent forward in a negotiated framework are discussed in the Negotiated Attribution section of this memorandum.

Alternative One: Focus shall receive full attribution of gross savings for projects and measures receiving co-funding from Focus and IRA HER programs.

Alternative Two: Focus shall apply a negotiated gross savings attribution framework for projects and measures receiving co-funding from Focus and IRA HER programs. The negotiated term(s) shall include:

Sub-Alternative A: Focus shall receive full attribution of gross savings for projects and measures receiving co-funding from Focus and IRA HER programs with the exception of savings for measures introduced after the date of this Order that do not pass a cost-effectiveness screen using Focus' primary cost-effectiveness test.

Sub-Alternative B: Other term(s) consistent with the Commission's discussion.

Alternative Three: Remand the matter back to staff for additional information consistent with the Commission's discussion.

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