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PUBLIC SERVICE COMMISSION OF WISCONSIN

Quadrennial Planning Process II

5-FE-100

FINAL DECISION

This is the Order for the statewide energy efficiency and renewable resource program's quadrennial planning period of 2015-2018 setting the goals, priorities, and measurable targets for Focus on Energy (Focus).

BACKGROUND

Wisconsin law requires the Commission to review energy efficiency and renewable resource programs every four years to evaluate Focus and set or revise goals, priorities, and measurable targets for the programs. Wisconsin Stat. § 196.374(3)(b)1.

The Commission's decisions in the first Quadrennial Planning Process covered the 2011-2014 period for the statewide energy efficiency and renewable resource program known as Focus on Energy. The decisions in this Quadrennial Planning Process II will cover the 2015-2018 period. The Commission began its second Quadrennial Planning Process on July 3, 2013, seeking comments on the appropriate scope of the Quadrennial Planning Process II. ([PSC REF#: 187137.](#)) Three parties and five interested members of the public filed comments for the Commission's consideration on the appropriate scope of the second Quadrennial Planning Process.

At its meeting on December 13, 2013, the Commission determined the scope of the investigation. ([PSC REF#: 197255.](#))

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The Commission then issued a second Request for Comments on January 30, 2014 ([PSC REF#: 197869](#)), seeking comments on five issues included in the Quadrennial Planning

Process II scope:

1. Focus' role in cost-effectively meeting federal carbon standards;
2. Relative emphasis of energy and demand savings;
3. Overall energy goal in lieu of kilowatt-hour (kWh) and therm goals;
4. Rate impact mitigation strategies; and
5. Renewable energy issues.

Comment on these five issues was specifically requested either because it was a new issue to the Quadrennial Planning Process (Focus' role in positioning Wisconsin to cost-effectively meet federal carbon standards and establishing an overall energy goal); was related to one of the new issues (relative emphasis between energy and demand savings and rate mitigation strategies); or had been revisited frequently during the 2011-2014 time period (renewable energy issues). Stakeholders were also invited to comment on any other issues the Commission included in the scope.

Comments were received from the following: Clean Wisconsin (Clean WI); Citizens Utility Board (CUB); RENEW Wisconsin (RENEW); Joint Utilities, consisting of the Wisconsin Utilities Association (WUA), Municipal Electric Utilities of Wisconsin (MEUW), and Wisconsin Public Power, Inc. (WPPI); Industrial Customers Group (ICG), consisting of the Wisconsin Manufacturers and Commerce, Wisconsin Industrial Energy Group, Inc., Midwest Food Processors Association, Wisconsin Cast Metals Association and the Wisconsin Paper Council; American Council for an Energy-Efficient Economy; Environmental Law and Policy Center

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(ELPC); Citizens Energy Task Force; OPower, Inc. (OPower); City of Milwaukee; Sierra Club of Wisconsin; and Save Our Unique Lands. In addition, the following three individuals submitted comments: William “Butch” Johnson (Flambeau River Papers), Todd Timmerman, and I. Nahm.

Comments were also received from the Evaluation Work Group (EWG). The EWG was established by the Commission in the first Quadrennial Planning Process to address ongoing Focus evaluation issues. The EWG worked throughout the present quadrennium to define appropriate approaches for measuring energy savings and program attribution; provide guidance on Focus evaluation plans; ensure Focus evaluation reports present clear and accurate findings; and review other opportunities for improving the accuracy of Focus’ evaluation practices.¹

Commission staff provided a summary of the comments and its own analysis in a memorandum for Commission consideration which was provided to the public for comment on June 4, 2014. ([PSC REF#: 205665](#).) Specific comments were received from the following: Clean WI; CUB; RENEW; WUA, MEUW and WPPI; IGC; ELPC; Simple Energy; OPower; Chicago Bridge and Iron, the program administrator; the Wisconsin Department of Administration, State Energy Office; and the National Home Performance Council. Additionally, 31 public comments were received, all of which urged the Commission to release the undesignated dollars for use by the Focus programs.

¹ These comments reflect the consensus of three EWG members: industry expert George Edgar and representatives of the program evaluator and administrator. EWG’s utility representative abstains from these comments because her views are reflected in the separate comments submitted by the Joint Utilities. The PSC representative abstains from these comments due to his staff role in conducting quadrennial planning analysis.

The memorandum, dated June 4, 2014, was discussed at two open meetings, on July 10, 2014 and on July 22, 2014.

FINDINGS OF FACT

1. The goals, priorities and measurable targets of Focus as set forth below 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.

DISCUSSION

Role of Focus in Positioning Wisconsin to Cost-Effectively Meet Federal Carbon Standards

The role of Focus in meeting federal carbon standards is an overarching policy question that drives several other decisions in this docket, namely the relative emphasis on energy versus demand, and several of the cost-effectiveness issues discussed below.

The Commission finds it reasonable that the Focus program continue to be used to better position the state of Wisconsin to cost-effectively meet federal carbon standards, with energy savings as the primary goal of the program and continued tracking of emissions reductions. The Commission recognizes that the proposed new carbon standard under Section 111(d) of the Clean Air Act is not final, and the details are uncertain. That uncertainty makes it difficult, at this time, to more directly design Focus to assist the state in meeting the new carbon standards. However, the Commission also recognizes that Focus must have a role in any future carbon standard and that

Focus has quantified carbon reduction and its benefits in the past. Therefore, Focus should continue to be used to better position Wisconsin to cost-effectively meet federal carbon standards.

Commissioner Callisto dissents and would find that the Focus program should play a larger role in positioning the state to cost-effectively meet federal carbon standards, and program design and implementation should reflect this goal.

Energy and/or Demand Emphasis

The design of the Focus programs depends in part upon whether reductions in energy or demand is given greater emphasis in program design. Traditionally, Focus has been designed to prioritize, in general, the reduction of total energy usage, but has recognized that demand savings are also valuable to the ratepayers. The Commission finds it reasonable to continue to establish Focus goals based on reductions in energy use and peak demand, with more emphasis on energy use savings. The Commission recognizes that emissions reductions occur through energy savings, but also understands the benefit to all system users in reducing demand. This decision is consistent with Focus continuing to better position the state of Wisconsin to cost-effectively meet federal carbon standards.

Value of On-Peak versus Off-Peak Energy Savings

The value of energy savings can vary significantly depending on the time of day the energy use is avoided. An issue was raised in this investigation as to whether Focus should attempt to differentiate between on-peak and off-peak energy savings.²

At this time, the Commission concludes that additional research is needed before a decision can be made on the appropriateness of differentiated incentives for on-peak and off-peak energy

² “Savings” as used in this context includes savings from energy efficiency measures and displaced energy from renewable energy installations.

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savings. Appropriate on-peak and off-peak hours need to be established as do on-peak and off-peak savings for energy efficiency and renewable energy measures. Also, more research is needed to better quantify the differences between the emission benefits from on-peak and off-peak energy savings. Therefore, the Commission directs Commission staff to develop alternatives for Commission consideration on implementing differentiated on-peak and off-peak kWh incentives for the Focus renewable program.

A Focus Environmental and Economic Research and Development (EERD) research project, with an expected 2014 completion date, shall report on the technical, economic, and policy issues of biogas storage and on-peak generation. This research project will provide much of the data needed to estimate the benefits and costs of biogas storage and on-peak generation as well as offer insights into how differentiated kWh incentives would affect biogas projects. Commission staff's plan shall be completed three months after the EERD biogas final report is received. In addition to the renewable energy plan, the Commission directs Commission staff to develop a white paper on eliminating kilowatt incentives and implementing differentiated on-peak and off-peak kWh incentives for energy efficiency measures. The white paper shall be presented to the Commission by May 1, 2018.

Cost-Effectiveness

Cost-Effectiveness Tests

Wisconsin law requires Focus to be measured for cost-effectiveness. Several different tests are available to measure Focus for cost-effectiveness. The Total Resource Cost (TRC) test is the primary test used in other programs nationwide. Wisconsin uses a modified TRC test that includes the value of emissions avoided through the program, including carbon dioxide, sulfur oxides, and

nitrogen oxides. While the modified TRC is valuable, it is difficult to determine with certainty the value of the avoided emissions. Because of this, it is important to evaluate the program using more than one test and to report the results of all tests conducted.

The Commission finds it reasonable for Focus program portfolios to meet a modified TRC test of cost-effectiveness to determine whether the program portfolios and measures are cost-effective. It is also appropriate to conduct a Utility Administrator Test (UAT) to inform program design, and to report results of the Expanded TRC test and the Ratepayer Impact (RIM) test for informational purposes.

The UAT measures only those costs and benefits that directly impact the utilities responsible for program funding and implementation. Benefits include avoided utility costs, while costs capture all administration, delivery, and incentive costs. The RIM test measures the effects of the program on utility rates. It compares the benefits of utility avoided costs, which reduce rates, to program costs and lost utility revenues that result from customers' reduced energy use. The Expanded TRC is conducted less frequently than annually. This test incorporates the economic benefits the program achieves via job creation, increased business revenue, and increased disposable income for consumers. The results of the Expanded TRC test should continue to be reported for informational purposes. The costs and benefits that go into the calculation of each of the tests should be made clear when reporting results.

Commissioner Callisto concurs with the use of the modified TRC test, and conducting UAT and RIM tests for informational purposes, but would also provide that measures that do not pass the modified TRC test but have substantial non-energy benefits may be considered for program inclusion on a case-by-case basis, based on the Expanded TRC.

Rate Impact Mitigation

Utilities have a statutory obligation to collect and spend 1.2 percent of gross utility revenue on statewide energy efficiency and renewable resource programs. This amount is already being recovered in rates, with approximately 60 percent of the dollars coming from non-residential customers. Issues related to the rate impact of required utility contributions to Focus arise from time to time. Because rate designs vary by utility, if there are concerns about the impact of Focus contributions on specific rate classes, they should be addressed in rate proceedings rather than in this investigation. The Commission finds it reasonable to consider rate mitigation strategies related to Focus contributions on a case-by-case basis in utility rate proceedings.

Value of Carbon Over Time

There is no single accepted figure used in assigning a value to carbon at this time. The value of carbon can affect the cost-effectiveness of the Focus program. However, because the evaluation of 2015 Focus programs will not begin until early 2016, there is no need to set a carbon value at this time. Commission staff and the EWG shall evaluate and report back to the Commission on appropriate market-based carbon values not later than October 2015, at which time the Commission will select the proper valuation. For 2015 planning purposes, it is reasonable to use a carbon value of \$15 per ton.

Current Discount Rate

The Commission finds it reasonable to continue using a discount rate of 2 percent for the Focus cost-effectiveness tests. This value is generally consistent with values used in other states and reflects the lower risk of energy efficiency and renewable energy investments through Focus.

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This value also strikes the right balance between short-term and long-term benefits of the Focus program.

Commissioner Nowak dissents and would use a discount rate of 5 percent.

Avoided Costs

Avoided cost is another factor that influences the cost-effectiveness of Focus. For the purpose of evaluating the Focus program, and consistent with the January 2012 Commission decision in docket 5-GF-191, avoided electric energy costs shall be based on a forecasted locational marginal pricing (LMP) that is the average of LMPs across Wisconsin nodes.

Commissioner Callisto dissents and would also include both forecasted avoided fixed costs of base and intermediate load plants, and forecasted avoided transmission and distribution costs.

For natural gas avoided energy cost, it is reasonable for the purpose of evaluating programs that Focus use a long-term price forecast. The calculation method should be as consistent as possible with the electric avoided energy cost calculation. The EWG shall review available sources for long-term price forecasts and recommend appropriate sources and calculation methods to the Commission no later than December 31, 2014.

Measuring Lifetime, Degradation, and Persistence of Savings

The Commission finds it reasonable to continue using the current effective useful life (EUL) based approach to document life-cycle savings. The EWG shall continue to consider alternatives to the current approach and recommend modifications, including any evidence to suggest an appropriate decay rate can be applied to the program. This approach is appropriate given that the Focus life-cycle savings framework required the program to project how long each measure will remain in place and operational. With EWG's support, Commission staff made it a priority during

the present quadrennium to ensure each measure offered by Focus was assigned an up-to-date EUL, supported by available research. While the EWG and Commission staff also looked at the decay rate, there is currently insufficient evidence to identify an appropriate decay rate.

Policy Priorities for the Next Quadrennium

Balance Between Resource Acquisition and Market Transformation

The Commission finds it reasonable for Focus goals to continue to emphasize resource acquisition/short-term energy savings. However, it is also important to consider the affect Focus has on the development of markets for energy efficiency and renewable energy products. Qualitative targets for long-term market effects over the next four years should be set. Additionally, the program administrator shall prioritize designs that simultaneously achieve short-term energy savings while targeting longer-term market changes. Such an approach may also help to position Focus better to assist the state in achieving carbon savings as the carbon rules become more certain.

Commissioner Callisto dissents and would require the establishment of performance metrics that reflect specific market development and transformation goals, as well as specific resource acquisition goals. Commissioner Callisto also would require that the market transformation goals should be set beyond the next quadrennium to reflect the long-range nature of certain efforts, and that updates to the recently completed market baseline study and other means be used to track market transformation goal achievement.

Relative Emphasis Between Business and Residential Programs

The Focus program currently allocates approximately 60 percent of its budget to business customer classes and approximately 40 percent to residential customers. This funding allocation is consistent with the historical proportion of funding collected from each type of customer. It is

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reasonable to continue to allocate funding *approximately* proportional to the way in which the Focus funds are collected, recognizing: (1) the proportion of funding coming from each class might change relative to another, and (2) it is difficult to allocate and spend in the exact proportion of funds collected in any one area and that a margin of error should be built in.

Energy-Water Nexus

How Focus should address the relationship between energy use and water supply is a new question in this Quadrennial Planning Process. Currently, Focus does not give attribution or track energy savings from reduced water usage that results in reduced water pumping and treatment. Capturing these savings could be important in the future when looking for compliance with pending carbon regulations.

It is reasonable for Focus to claim energy savings and offer incentives for water saving measures that also reduce the energy involved with supplying water to and/or treating wastewater from homes and businesses. By December 31, 2014, Commission staff shall develop guidelines for Focus and voluntary utility programs to estimate water-related energy savings. If the Commission deems the guidelines satisfactory, Focus can begin to claim energy savings related to water efficiency.

Should Focus Receive Credit for Building Code Changes

Building codes have a substantial impact upon the penetration of energy efficiency technologies in the public. During this investigation, the potential role of Focus is to influence the amendment of building codes to encourage energy efficiency or to provide training and education to increase compliance with existing codes.

At this time, there is not sufficient information to determine the appropriateness of Focus initiating a building code program. There are two categories of efforts generally used by states with active energy efficiency programs to address building codes. The first category is active involvement by energy efficiency program staff with code development. The second is the provision of assistance to ensure builders understand building codes, know the techniques to comply, and have the necessary skills to comply. While the Commission does not want to duplicate efforts of the agency already charged with code compliance, it is reasonable to look at the opportunities to capture some of the energy savings from code compliance in the future. Commission staff shall develop a plan and budget for determining the potential of a building code initiative by the end of the first quarter of 2015.

Pilots for Behavioral Programs

Energy consumer behavior has a substantial impact on the implementation and success of energy efficiency. Focus may realize savings from projects that impact consumer behavior. The Commission finds it reasonable for Focus funds to be used for residential behavior pilot projects during the quadrennium. While it is appropriate to consider behavioral programs, these programs should have a high bar for approval. Any behavioral program design shall come back to the Commission for its approval in advance of implementation. The Commission will address accessibility to customer data necessary for the implementation and evaluation of any approved behavioral program at the time the Commission reviews the proposed pilot programs.

Renewable Energy Program Priorities

Inclusion of renewable energy in the Focus program is required by state law. *See Wis. Stat. § 196.378(2)(a)1.* However, it is generally true that energy efficiency is more cost-effective than building generation of any type, including renewables. It is reasonable for the Commission to prioritize how Focus funding is spent to maximize benefits. The Commission concludes that the priority for the Focus renewable programs shall be to implement cost-effective and technically feasible renewable technologies.

Renewable Energy Program Design

The renewable energy program has been the subject of several Commission decisions in the past quadrennium. In order to ensure continued cost-effectiveness of the portfolio as well as ensure the success of the renewable portfolio, significant changes were proposed during the investigation. Given the scope and importance of the possible changes to the renewable program, the Commission finds it reasonable to defer a final decision on the 2015-2018 renewable programs until it has a specific program plan to review.

The program administrator shall prepare a renewable energy program proposal by September 30, 2014, for Commission review and approval. This proposal should include a program consisting only of a renewable energy loan component, as well as a program that combines a renewable energy loan component with an incentive component. In this proposal, the program administrator shall:

- a. Consider eliminating the 75 percent Group 1, 25 percent Group 2 renewable spending split. Removing the tie between the two groups would allow the program administrator more flexibility to allocate funding between technologies;

- b. Consider replacing the current backstops of maintaining a portfolio benefit to cost ratio of at least 2.3 and a reduction in energy savings of not more than 7.5 percent, compared to energy efficiency only with other appropriate performance and cost-benefit metrics for renewable projects;
- c. Reevaluate the accounting treatment of renewable program funds for use in applying to any spending limits. Two options to be considered are:
 - (1) applying limits to what is paid out over the quadrennium and
 - (2) applying the limits to funds that are obligated in a given year;
- d. Have an initial budget for the loan component of approximately \$10 million, and an annual budget, commencing in 2016, of approximately \$5 million per year for renewable loans and incentives (applies only to the proposal that contains both a renewable loan component and incentive component);
- e. Review renewable programs in other states that have only renewable energy loans; and
- f. Consider a phased approach to potential elimination of incentives in favor of a renewable loan program (applies only to the proposal that contains both a renewable loan component and incentive component).

Budget—Statewide Energy Efficiency and Renewables Administration (SEERA) Designated and Undesignated Funds

SEERA Designated Fund

Focus does not currently have a formal policy for a reserve fund. In 2013, there was approximately \$60 million in the SEERA fund that had not been allocated. Recent Focus program history identified a need for such a fund. In May 2013, after reviewing the annual Baker Tilly financial audit, SEERA, in conjunction with Baker Tilly, Wipfli (the fiscal agent), the program administrator, Commissioner Nowak, and Commission staff, conducted an analysis of the Focus cash flow and historical levels of the outstanding incentive obligations. The analysis showed that with increased program activity beginning in early 2013, there were some

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months where program expenditures were higher than the revenue deposited by utilities. The Fiscal and Compliance Agents recommended a designated fund policy which sets aside 30 percent of the previous year's revenue for purposes of covering cash flow, similar to what a typical business would have reserved for this type of risk and cash fluctuation.

The Commission finds that SEERA's proposed designated fund policy is reasonable. This policy maintains 30 percent of the prior year's actual revenue to ensure adequate liquidity to meet ongoing obligations. Because this is a new policy for Focus, the fiscal agent shall monitor the program's cash flow and recommend changes if the 30 percent appears to be insufficient or excessive.

Commissioner Callisto dissents and would approve maintaining \$16 million to \$20 million in the designated fund to cover outstanding obligations and cash flow needs for the Focus program.

Undesignated Dollars

There are \$30 million in undesignated funds available for use by Focus. A variety of proposals were put forth to allocate the undesignated funds. The Commission allocates \$10 million for the renewable loan program; \$9.3 million for Strategic Energy Management (SEM) Program expansion; \$6.4 million for a dairy digester program; and \$2 million for the National Governor's Association (NGA) pilot program. The SEM program, while it directly benefits the large energy users, also benefits all ratepayers by providing low-cost savings or behavioral changes. The dairy digester program will fund a feasibility study of small digesters and education initiatives. The sum of \$2 million is being set aside to be used for the NGA pilot that will look at ways to incentivize energy efficiency and demand response. The pilot will be

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conducted in Madison Gas and Electric Company's service territory and address commercial customers. Any of the \$2 million not spent will roll back into the Focus program as undesignated dollars.

Commission staff, the program administrator, and stakeholders shall develop a proposal by the end of 2014 on how to allocate the remaining \$2.3 million dollars. Alternatives shall be brought back to the Commission for review and approval. Regarding the allocation of the remaining \$2.3 million, the recommendation should address how the \$2.3 million could be allocated to residential programs to help maintain the spending balance between business and residential programs. The Commission also recommended that the program administrator, while working with Commission staff and stakeholders, look for underfunded or untapped sectors, such as the successful Small Business program. Potential areas to examine include: multi-unit housing, updating housing of certain ages, and in-home businesses.

Commissioner Callisto dissents and would direct the program administrator to propose a plan that would allocate all of the unallocated funds within the next two years between residential and business customers.

Goals

The goals for Focus depend upon two factors: (1) what number is appropriate to use as a baseline for savings and (2) how much increase can reasonably be achieved upon that baseline.

It is reasonable that the historical baseline for determining the Commission's 2015-2018 quadrennial net annual savings goals will be the program administrator's projected net annual savings achievement during the 2011-2014 quadrennium, as outlined in Table 1 of the Commission staff's memorandum dated July 16, 2014. ([PSC REF#: 212694.](#))

Further, the Commission determines that the 2015-2018 net annual savings goals will represent a 15 percent increase over the historical baseline. These goals are shown in the table below.

Table 1 **Four-year net annual savings goals**

Unit	2015-2018 Goal
kWh	2,088,768,000
kW	385,342
Therms	83,996,000

Overall Energy Goal Rather than Specific Goals for Kilowatt-Hours, Kilowatts, and Therms

The Commission finds that it is reasonable to establish an overall energy savings goal with minimum kWh and therm thresholds set equal to 90 percent of the overall goal. This option gives flexibility to the program administrator that will enable it to adapt quickly and efficiently to changing market factors and remain as cost-effective as possible with ratepayer dollars. This option also ensures that equity between natural gas and electricity customers is maintained.

ORDER

1. The Focus program shall continue to be used to better position the state of Wisconsin to cost-effectively meet federal carbon standards, with energy savings as the primary goal of the program and continued tracking of emission reductions.
2. Focus program goals shall continue to be established based on reductions in energy use and peak demand, with more emphasis on energy use savings and resulting emission reductions.

3. Commission staff shall develop alternatives for Commission approval on implementing differentiated on-peak and off-peak kWh incentives for the Focus renewable energy program, with a plan to be completed within three months after the Environmental and Economic Research Development biogas storage and on-peak generation final report is received. Commission staff shall also develop a white paper by May 1, 2018, examining the elimination of kilowatt incentives and implementing differentiated on-peak and off-peak kWh incentives.

4. Program portfolios and measures are to meet a modified TRC test of cost-effectiveness. It is also appropriate to conduct a UAT to inform program design, and to report results of the Expanded TRC test and the RIM test for informational purposes in Focus' annual evaluation reports.

5. Rate mitigation strategies related to Focus contributions will be considered on a case-by-case basis in utility rate proceedings.

6. A market-based carbon value shall be established. No later than October 2015, the EWG shall prepare and submit a report to the Commission that recommends an appropriate market-based carbon value. In the interim, a market-based carbon value of \$15 per ton is appropriate to use as a proxy for planning purposes.

7. Focus shall use a discount rate of 2 percent in Focus' cost-effectiveness tests.

8. For purposes of evaluating Focus, avoided electric energy costs shall be based on a forecasted LMP that is the average of LMPs across Wisconsin nodes.

9. For purposes of evaluating Focus, avoided natural gas costs shall be based on a long-term price forecast. The EWG shall review available sources for long-term price forecasts

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and recommend appropriate sources and calculation methods to the Commission no later than December 31, 2014.

10. Focus shall continue to use the current EUL based approach to document life-cycle savings. The EWG shall consider alternatives to the current approach and recommend modifications, including any evidence to suggest an appropriate decay rate can be applied to the program.

11. Focus goals shall emphasize short-term energy savings. Qualitative targets for long-term market effects over the next four years shall be set, and the program administrator shall prioritize designs that simultaneously achieve short-term energy savings while targeting longer-term market changes.

12. Focus funding shall be allocated between the residential and non-residential programs approximately proportionate to how they are collected from those customer groups.

13. Focus may claim energy savings and offer incentives for water saving measures that also reduce the energy involved with supplying water to and/or treating wastewater from homes and businesses. By December 31, 2014, Commission staff shall develop guidelines for Focus and voluntary utility programs to estimate water-related energy savings.

14. By the end of the first quarter of 2015, Commission staff shall develop a plan and budget for determining the potential for a Focus building code initiative that includes an existing building code compliance assistance initiative and a stretch code development, education and compliance assistance initiative.

15. Focus funds may be used for residential behavioral pilot programs during the quadrennium, provided that the design of any pilot programs receives Commission approval in advance of implementation. The Commission will address accessibility to customer data necessary for the implementation and evaluation of any approved behavioral pilot programs at the time the Commission reviews the proposed pilot programs.

16. The program administrator shall prepare a proposal for Commission review and approval by September 30, 2014, that proposes, as a potential alternative, a stand-alone renewable energy loan program, as well as a program that combines a renewable energy loan program with an incentive program. In this proposal, the program administrator shall consider the following:

- a. Elimination of the 75/25 percent spending split to allow the program administrator more flexibility to allocate funding between technologies;
- b. Imposing appropriate performance and cost-benefit metrics for renewable projects;
- c. Reevaluation of the accounting treatment of program funds as between paid and obligated;
- d. An initial budget of approximately \$10 million from the undesignated dollars to fund the loan program, and an annual budget commencing in 2016 of approximately \$5 million per year for renewable loans and incentives, if a stand-alone loan program is not implemented;

- e. Review of renewable programs in other states that have only renewable energy loans; and
- f. A phased approach to potential elimination of incentives in favor of a renewable loan program, if both a loan component and incentive component is initially ordered by the Commission.

17. The Commission approves SEERA's proposed designated fund policy of maintaining 30 percent of the prior year's actual revenue to ensure adequate liquidity to meet ongoing obligations.

18. Unallocated funds shall be distributed as follows: (a) \$10 million for the renewable loan program; (b) \$9.3 million for the SEM pilot program for large energy customers; (c) \$6.4 million in funding for a dairy digester program; and (d) \$2 million to be used for the NGA pilot program. The program administrator and Commission staff shall propose by December 31, 2014, a plan for distributing the remaining unallocated funds.

19. The historical baseline for determining the Commission's 2015-2018 quadrennial net annual savings goals will be the program administrator's projected net annual savings achievement during the 2011-2014 quadrennium, as outlined in Table 1 of the Commission staff's memorandum dated July 16, 2014.

20. The Commission's 2015-2018 net annual savings goals will represent a 15 percent increase over the historical baseline.

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21. An overall energy savings goal will be established, with minimum kWh and therm thresholds set equal to 90 percent of the overall goal.

22. Jurisdiction is retained.

Dated at Madison, Wisconsin, this 3rd day of September, 2014.

By the Commission:

A handwritten signature in black ink, reading "Sandra J. Paske". The signature is written in a cursive, flowing style.

Sandra J. Paske
Secretary to the Commission

SJP:JS:jlt:DL: 00939583

See attached Notice of Rights

PUBLIC SERVICE COMMISSION OF WISCONSIN
610 North Whitney Way
P.O. Box 7854
Madison, Wisconsin 53707-7854

**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.³ 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

³ See *State v. Currier*, 2006 WI App 12, 288 Wis. 2d 693, 709 N.W.2d 520.