14. WISCONSIN

(1999 Utility Statistics from www.eia.doe.gov)

Population (2001 Census Estimate): 5,401,906
Net Summer Capability (MW) 13,136
Electricity Consumption (MWh) 66,307,813

	Investor-Owned	Public	Federal	Coop-erative	Total
Number of Utilities	12	82	0	24	118
Percentage of Retail Sales	84.2	11.4	0	4.4	100.0

Mechanism:	Gas and electric utility rate-based fees and new statutory fees from all electric utilities
Creation:	Legislative
Duration:	No end date; major re-evaluation during fifth year.
Administration:	Wisconsin Department of Administration (DOA) subcontracts most program administration to non-profit corporations
Budget:	$62.3 million+/year possible
Program Name:	Focus on Energy
Benefit Measure:	Total Resource Cost and Societal Benefits Tests
Incentives:	Some shared savings. Some tax exemptions.

Survey Questions

1. Process and timeline

In 1998 the Wisconsin Department of Administration (DOA) ran a pilot public benefits program under contract with a utility. October 1999 legislation, 1999 Wisconsin Act 9 ("the Act"), directed DOA to administer public benefits programs using existing regulatory fees and new statutory fees. August 2000 the Public Service Commission (PSC) determined the regulatory fees. Spring 2001 DOA signed contracts with two program administrators. First programs began in June 2001. Regulated utility programs ended December 2002.

2. Organizational structure

The Act transferred funding and responsibility for public benefits programs, including low income, energy efficiency (EE) and renewable energy (RE) programs, from the investor-owned electric and gas utilities (IOUs) to the DOA over a three-year period ending December 2002. The Act also created a new flat fee to be levied on all electric utilities to augment program funding. This discussion will focus on EE and RE program administration.

The Act required the PSC to devise a scheme to phase public benefit programs and expenditures out of the IOU programs and into the DOA programs over the three-year period ending December 31, 2002.

DOA named the new EE and RE programs "Focus on Energy". As primary administrator, DOA is responsible for Focus on Energy plans, policies, programs, public hearings, rule-making and contract administration. DOA must use a competitive bidding process to contract with non-profit organizations to administer specific programs. DOA determines the new fees required by statute. DOA is responsible for program oversight and evaluation coordination. DOA is charged with determining on an annual basis, beginning FY 2004-2005, what programs should be continued or discontinued, and what funding will be required.

The Council on Public Benefits was created by the Act to provide input to DOA. It consists of 11 members, primarily appointed by legislative leadership. In practice the Council has met twice a year in what could be characterized as briefing sessions.

All IOUs are required to participate. Municipal utilities and electric cooperatives can opt into the programs, or conduct programs themselves. Currently all 12 IOUs and 19 municipal utilities participate in the Focus on Energy program. These utilities serve about 85% of the state's electricity customers. Rural cooperatives and some municipal utilities have chosen to offer their own programs known as "Commitment to Community" programs.

DOA entered into contracts, usually three-year contracts with option to renew, with the following non-profit entities for program implementation:

Business	Milwaukee School of Engineering	began July 2001
Residential	Wisconsin Energy Conservation Corp.	began June 2001
Renewables	Wisconsin Renewable Energy Network	began March 2002
Research	Energy Center of Wisconsin	began April 2002

Program contractors are responsible for details of program design and implementation using their market-oriented expertise.

DOA also contracts for consultants in marketing, compliance, and evaluation and market research.

Presently 6 full-time positions and 2 half-time positions at DOA, resulting in 7 FTE, are supported by the Focus on Energy funds.

During the present fiscal year statewide program support costs are estimated to be 10-13% of the budget, including DOA staff, compliance, marketing and IT consulting, and third party evaluation costs.

3. Funding mechanisms

Focus on Energy funding comes from two sources: public benefit funds already included in IOU rates, which will be termed "IOU fees", and "new fees" established by this legislation.

The IOU fees are collected from IOUs by the PSC and deposited in the "conservation escrow account." Initially these funds were used to continue utility programs, but over a three-year period PSC transferred them to DOA programs. The new fees are flat fees collected from customers of all electric utilities.
The DOA invoices participating utilities every month for payment of the new fees. These funds, along with funds from the PSC, are deposited into what the State calls a "segregated account."

IOU fees: In August 2000, Docket 05-BU-100, the PSC determined that the following amounts would be transferred to the PSC for deposit in the utility public benefits fund, based on 1998 expenditures:

Low-income	$21,329,056
Energy conservation and efficiency	$45,110,357
Environmental R&D	$ 624,546
Renewable Resources	$ 91,131

The amounts for Low Income and EE are $12.5million and $18million lower, respectively, than originally estimated. This is partly because the PSC agreed it would be reasonable for utilities to continue certain activities, such as low income early identification, and "customer service conservation or load management" activities.

The PSC determines the allocation of these collections among utilities and among utility customer classes and types of utilities.

New fees: The Act requires all electric utilities and retail electric cooperatives to collect new flat fees set to generate a total of $24million/yr for low-income programs and a total of $20million/yr for all other energy programs. DOA is required to set the fees by rule.

The municipal and cooperative utilities must collect fees that average $16 per customer per year. They may charge different fees for different customer classes. This formula results in collections of about $7million each year. Half these funds are applied to low-income programs, and half to energy programs.

The electric IOUs must make up the difference between the municipal and cooperative fees collected, and the required program totals of $24million/yr and $20million/yr. The IOUs must collect 70% from residential customers and 30% from all others. The IOUs must include the new fee in fixed charges for electricity in customers' bills, but may not present it as a separate charge. DOA is required to set the fees by rule. The law set a fee cap of 3% of all other charges or $750/month, whichever is less, through 6/30/08.

The DOA developed a formula to determine how much each utility must contribute to the new fees. The customer base of each utility is one factor, since one goal was to have uniform residential customer fees. The amount of federal funding available for low-income programs must be part of the formula. DOA has tried to adjust the formula so that the energy program fees are stable, and only the low-income fees fluctuate with federal funding.

Legislative rules impact the DOA funds. The Joint Finance Committee has oversight over the "general operations" budget (administrative), which can result in a cumbersome process. These funds may not be carried over for subsequent years' administrative uses. By contrast, the program funds are considered to be a "continuing appropriation". Unexpended funds may be carried over into the next fiscal year and legislative approval is not required for program budget changes.

Commitment to Community programs: if a municipal utility or rural electric cooperative chooses to offer a public benefits program, it will retain ½ of the new fees collected for the low-income program and/or ½ for an energy program. If it chooses not to offer either program, it must remit the fees to the DOA. All rural electric coops and most municipal utilities have chosen to run their own programs.

4. Degree of association with a long run resources plan

   Poor, but may improve. 1997 legislation replaced the advance plan process with the strategic energy assessment (SEA). The advance plan process incorporated integrated resource planning, with horizons in the 10-20 year range. The SEA compiles biennial reports from all electric suppliers on reliability and adequacy issues during the previous 2 years and forecasts the next two to three years. The PSC and Focus on Energy staff have agreed that achievement from Focus on Energy programs will be comprehensively reflected in the SEA in the future.

   Statutes do require the PSC to consider alternatives when IOUs propose new generating facilities. In recent generation proposals the utilities have declared that they have included all energy efficiency potential in their forecasts. The need to quantify the state's energy efficiency potential, for use by both the PSC and the DOA, was identified and it was determined that the PSC and the DOA should work toward meeting this need.

5. Guidelines for program effectiveness and success

   The Act did not give clear guidance for program effectiveness. According to a Legislative Council Staff memo ("LCS Memo"), priority must be given to proposals directed at (a) sectors of the energy conservation and efficiency services market that are least competitive; and (b) promoting environmental protection, electric system reliability or rural economic development. The criteria for program continuation vs. discontinuation requires the DOA to determine whether the "private sector market" is meeting the need for the program.

   As a result DOA and Focus on Energy staff have responsibility for developing program success measures. They took direction from the Governor's Energy Policy 2001 and established short term goals of energy savings through EE and RE. They also set long-term goals of pollution reduction, economic benefits, indoor air quality benefits, development of cooperative partnerships and market transformation.

6. Pre-implementation program evaluation guidance

   LCS Memo: DOA must annually provide for an independent audit and report to the legislature describing:
      Expenses of administering the programs;
      Effectiveness of the programs, and
      Other topics identified by DOA, Council on Public Benefits, Governor, Speaker of the Assembly or the Majority Leader of the Senate.

   LCS memo: any utility that implements a Commitment to Community program must submit annual reports to DOA including: accounting of fees charged to customers, program expenditures and credits claimed for programs, and description of programs.

   DOA works closely with program administrators and the evaluation contractor to develop agreed-upon evaluation metrics and designs that accurately assess the achievement of specific outcomes. Cost-effectiveness is measured using the Total Resource Cost and Societal Benefits Cost tests.

7. Results

   Resource acquisition is now reported quarterly, including emissions reductions. Economic impacts are reported twice per year. Annual savings estimates are made by program administrators. Then adjustments are made for free ridership, accuracy of engineering estimates and verification of installation by program evaluators.

   From the 2002 Annual Report, covering July1, 2001 – June 30, 2002:
      Business Programs* (energy savings adjusted by evaluator)
         26,681 MWh
         11,257 kW
         1,393,379 therms of natural gas

      Residential Programs, gross installed savings (not adjusted by evaluator yet)
         26,073,800 kWh electricity
         1,102,597 therms of natural gas

      Total program emission savings
         276,757 pounds of nitrogen oxide
         467,028 pounds of sulfur dioxide
         1.772 pounds of mercury

8. Financial or performance incentives

   At the time of the transition from utility to DOA-administered public benefits programs, one utility was operating a "shared savings" energy efficiency program with a rate of return comparable to riskier investments. This utility is attempting to gain regulatory or legislative support to continue this arrangement. In Wisconsin, rates are set using a forward-looking test year, which incorporates estimates of efficiency-related savings and minimizes lost revenues. Public benefit fees collected by electric utilities and coops are excluded from the calculation of utility license fees ("gross receipts tax") and from sales tax.

Issues and Special Situations

Budget

The DOA deposits the public benefits funds into a "segregated account," for funds earmarked for a special purpose. However, the legislature can vote to use it differently. Last year each house proposed that some of the funds be used for other purposes, and a utility lobbied to have its contribution returned. No single proposal was successful. This year there is a budget shortfall. DOA has proposed that $4.7million in carryover funds (due to slow start-up) be contributed to close the budget gap, and notes that other funds are contracted. However, there is concern that as the original three-year contracts with program administrators lapse, the State may consider public benefits funds up for grabs.

Parity
Parity is not a requirement of the public benefits programs. As a result, some utilities are beginning to co-market programs with Focus on Energy and refer their customers, to be sure their customers will get the benefits.

Program Management

The Focus on Energy program is unique in its structure. Management strategies are evolving as a result. The Program Coordinator identified some interesting approaches:

- The marketing program development was time-consuming but worth it for the unified message. DOA waited until all 4 program administrators were chosen, so they all participated in the RFP process. The consultant hired had to develop an overall marketing campaign acceptable to all, and then program specific campaigns were negotiated at the program level.

- The RFPs for program administrators were written to communicate the Focus on Energy "market preparation" approach. For example program administrators had to agree to spend at least 50% of program funds on performance-incentive programs that would be bid out--looking for the most kWh reductions for the least dollars expended. Because this was considered to be a new approach, the RFP also directed that administrators would assist companies who desired to put together a bid.

Resources

Department of Administration (DOA) http://doa.wi.gov
Cheryl Rezabek, DOA, Chief, Public Benefits Section (aka "Program Coordinator")
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Wisconsin Public Service Commission http://psc.wi.gov

Carol Stemrich, Electric Division Engineer, Conservation
608-266-8174, carol.stemrich@psc.state.wi.us
Strategic Energy Assessment Report: Executive Summary. December, 2002.

Prepared by Public Service Commission staff.
Available on the web. http://psc.wi.gov/electric/cases/sea/ind_sea.htm
Also see Docket 05-BU-100 re: public benefits program fees, and
Docket 6680-UR-112 re: WP&L Shared Savings Program

Wisconsin Focus on Energy www.wifocusonenergy.org

Wisconsin's Public Benefits Programs: Annual Report. Focus on Energy Programs. Home Energy Assistance Programs. September, 2002. *Prepared by DOA. Available on the web. Go to* www.wifocusonenergy.org *Select "about us." Select "September 2002 Annual Report."*

Wisconsin Legislative Council Staff
www.legis.state.wi.us/lc
New Law on Electric Utility Regulation--the "Reliability 2000" Legislation,
Information Memorandum 99-6, Revised December 22, 1999
See also 12/2/99 Memo to Interested Legislators, "Overview of New Law…Act 9"
(Referred to as "LCS Memo" in this report)

Hall N, *State of Wisconsin Department of Administration, Division of Energy, FINAL: Focus on Energy II Pilot Study, Organizing and Delivering Energy Efficiency and Market Effects Programs--Learning From Others*, prepared for PA Consulting Group. October 2001. Available from author and DOA.