MEA
MIDWEST ENERGY EFFICIENCY ALLIANCE

20 N. Wacker Drive, Suite 1301
Chicago, Illinois 60606
312.587.8390 Main Line
312.587.8391 Fax
www.mwalliance.org

July 28, 2022

Public Service Commission of Wisconsin
4822 Madison Yards Way
P.O. Box 7854
Madison, WI 53707-7854

RE: Midwest Energy Efficiency Alliance (MEEA) Response to Focus on Energy Quadrennial Planning Process IV - Phase 2 (Docket 5-FE-104)

Introduction

Thank you for the opportunity to submit comments in response to the fourth Quadrennial Planning Process for the Focus on Energy Program. The Midwest Energy Efficiency Alliance (MEEA) is a collaborative network, promoting energy efficiency to optimize energy generation, reduce consumption, create jobs and decrease carbon emissions in all Midwest communities. MEEA seeks an achievable pathway for all people and communities in the Midwest to receive the economic, environmental and societal benefits of energy efficiency and the larger clean energy economy.

At MEEA, we leverage our expertise to be the Midwest's leading resource for our members, allies, policymakers and the broader sector to promote energy efficiency as the essential pathway to achieve a clean, affordable, equitable and sustainable future. We see energy efficiency as the least cost foundation of the clean energy economy, creating immediate energy savings, providing career pathways, reducing emissions, improving new and existing buildings and boosting Midwest business and industries. MEEA develops connections and engagement opportunities for a diverse group of organizations to collaboratively create practical solutions. MEEA serves as a technical resource, promotes program and policy best practices and highlights emerging technologies, all to maximize energy savings, reduce costs, improve resiliency and lower energy burden. By reducing customer bills and increasing job opportunities in the clean energy workforce, energy efficiency is also a powerful tool for economic recovery in the current economic crisis.

With a knowledgeable and experienced staff capable of producing high-value content across a broad range of energy efficiency issues, MEEA takes pride in educating legislators and regulators throughout the region to recognize and implement cost-saving measures that are environmentally sound with a positive economic impact. As a nonpartisan nonprofit organization, we are recognized in the policymaking process and are frequently relied upon as an expert resource, weighing in on proposed policies, identifying opportunities for businesses and helping explain the benefits of embracing energy efficiency. MEEA's members headquartered or operating in Wisconsin include Alliant Energy, APTIM, Franklin Energy, Mid-West Energy Research Consortium, Slipstream, We Energies, Wisconsin Public Service, WPPI Energy, Xcel Energy and the Wisconsin Office of Energy Innovation, among others.

MEEA has been engaging with several of the PSC's dockets and state planning processes over the last two years. We participated in the Governor's Task Force on Climate Change by attending meetings of the Energy, Housing, Infrastructure & Transportation Subcommittee and submitting comments on draft recommendations. MEEA served on the advisory committee for the development of Wisconsin's first Clean Energy Plan which was released in April 2022. Our organization also commented in the Roadmap to Zero Carbon docket where we discussed

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MIDWEST ENERGY EFFICIENCY ALLIANCE
20 N. Wacker Drive, Suite 1301
Chicago, Illinois 60606
312.587.8390 Main Line
312.587.8391 Fax
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several topics that have since been folded into this Quadrennial Plan process. Lastly, MEEA presented at the PSC workshop on performance-based regulation in January 2022 and we plan to attend all future PBR workshops. Because of this, MEEA feels equipped to respond to this phase of Quadrennial Planning as we did in Phase I, and we look forward to supporting and promoting efforts to enhance and expand energy efficiency in Wisconsin.

In summary, these comments support the Commission and Staff's efforts to consider how to modernize and expand the Focus on Energy program. With that in mind, MEEA supports the following alternatives presented by PSC Staff:

Section I: PRIORITIES

A. How Should Overall Energy Goals be Stated and Tracked?

- Overall vs. Fuel-Specific Savings Goals (p. 11)
  - *Alternative Two*
- Lifecycle vs. Annual Savings Goals (p. 14)
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- *No decisions in this section*

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I. Avoided Costs

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20 N. Wacker Drive, Suite 1301
Chicago, Illinois 60606
312.587.8390 Main Line
312.587.8391 Fax
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- *Alternative One*

J. Carbon Value

- Value of Carbon (p. 96)
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Section II: BUDGETS

A. Overall Focus Budget Determination

- *No decisions in this section*

B. Renewables

- Renewables Budgets (p. 116)
  - *Alternative One or Alternative Three with Sub-Alternative E and either Sub-Alternative A or Sub-Alternative C*

C. Underserved Rural and Other Customers

- Rural and Underserved Customers (p. 129)
  - *Alternative Three and Sub-Alternative A*

D. Environmental and Economic Research and Development Program (EERD)

- EERD Budget (p. 137)
  - *Alternative Five*

E. Behavior Program Approval by the Commission

- Behavioral Programs (p. 144)
  - *Alternative One*

Discussion of Supported Alternatives

I.A. How Should Overall Energy Goals be Stated and Tracked?

Overall Savings Goals and Specific Goals for kWhs and therms: *Alternative Two*

To be its most effective as a tool for reaching climate and emissions goals, energy efficiency needs to be able to adapt. Traditionally, energy efficiency programs have set kWh and therm targets depending on the energy source, and program administrators have been incentivized or penalized depending on the achievement of those targets. Small amounts of flexibility have offered some options for program administrators to adapt to customer needs and market conditions, but often program administrators must acquire efficiency resources at a higher cost or that will produce lower net benefit in order to achieve energy-specific savings targets. By moving to an overall savings goal that is agnostic of fuel source, the focus shifts to finding the best projects based on the overall net benefits irrespective of whether those benefits come from kWh or therm savings.

Though there is value in flexibility as to where savings come from, that does not mean that savings should only be reported in fuel-neutral MMBtus achieved. It is important, from a regional and national perspective, that program administrators continue to have expected electricity and gas savings targets, based on potential studies, used for planning purposes and continue to report achieved kWh and therm savings as separate numbers. Similarly, the reported portfolio spending should be itemized between electric and gas programs. This granularity in the reporting allows for comparability with past

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20 N. Wacker Drive, Suite 1301
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efforts, comparison across states and programs, and continued compatibility with existing national and regional data sets.

Lifecycle vs. Annual Savings Goals: *Alternative One*

We support continuing the status quo here. Emphasizing lifecycle savings promotes long-term transformation of the energy and end-use marketplaces. This isn't to say that short-term savings are not important, and a balanced portfolio should include both long-life and short-life programs.

Consider Staff's scenario (p.13) but instead of each program having first-year savings of 500 kWh, consider that one offers 500 kWh in one year without persistence while the other offers 50kWh in the first year but persists ten years, with each having the same up-front cost of acquisition. Each of those programs achieves 500kWh lifetime savings, but the first provides immediate customer savings during economic hardship while the other helps to achieve longer-term stability. Under a lifecycle savings goal, both of those programs can be used to help customers save, while under a first-year goal the persisting program might not even be considered. Emphasizing only first year savings may turn Focus away from some kinds of energy efficiency programs that could provide energy savings and diversify its portfolio offerings.

An emphasis on first year savings goals would also discourage the pursuit of market transformation programs, as the savings tend to ramp up over time. Savings in year one may be small, or even nonexistent, but with thoughtful planning and documentation, a significant amount of savings can be attributed to prior investments. With market transformation programs, investment and energy savings do not always occur in lockstep.

As Staff noted, continuing to report first-year savings as well as lifecycle is important for continued comparability and compatibility.

I.B. Time-Varying Value of Energy Efficiency and Renewable Energy Resources

Emphasis between Energy and Demand: *Alternative One and Sub-Alternative A*

We support the status quo approach here. It is likely that additional research under Sub-Alternative A performed during Quad IV will be useful in modifying that balance going forward to enhance future demand savings, but for Quad IV, the emphasis on energy savings should be maintained. Focus on Energy funding is limited, and it is important that Wisconsin continues to maintain its levels of energy savings. If programs provide both cost-effective energy savings and also provide additional demand savings, they should be given strong consideration for acquisition, but programs that focus on kW rather than kWh would mean backsliding in relation to other states in levels of achieved energy savings. Absent a funding increase, the focus of Focus should remain on energy savings.

Time-Varying Value of Energy Efficiency and Renewable Energy Resources: *Alternative One and Sub-Alternative B or Sub-Alternative C*

The time value of energy efficiency is a hot topic for study and investigating opportunities to incorporate those values into operations will be important for future plans. While future programs may provide time-based value, the research does not provide energy savings and should not come at the expense of direct program operations. Either Sub-Alternative

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B or Sub-Alternative C would be an appropriate place for funding this research. As we mention later in section II.D, EERD's small budget does put constraints on what kind of research can be done. We support raising EERD's budget to accommodate more research projects such as this, as you will see in our comments in section II.D.

I.C. Winter Peak Electric Period Definition

Winter Electric Peak Period Definition: *Alternative One*

We support efforts by the Commission to better understand winter peak. This is a conversation coming up in several Midwestern states. MEEA participated in Minnesota's Electrification Action Plan, which was funded by the U.S. Department of Energy to convene stakeholders together to help better understand the impacts of mass electrification. Forecasts by the Electric Power Research Institute show that widespread electrification could push Minnesota to a winter peak that is more than twice as high as its current summer peak.[1] Additionally, EPRI presented that electricity's share of Minnesota's total energy use could grow from 21% in 2015 to potentially 47% in 2050, even when accounting for substantial increases in energy efficiency.[2] Much of this increased demand on the grid will be felt most acutely in the winter.

While the Commission declined to expand Focus' electrification efforts in Phase I of this Quad Plan, it is still wise to consider a winter peak definition and to track how efficiency can contribute to lessening increased peak demand. Even if the Commission and Focus do nothing to encourage electrification, customers are already beginning to switch to electrified end uses. Electric vehicles and electrified buildings will push Wisconsin's electricity demand upward, especially in the winter. As this winter peak grows, it will be imperative for the Commission to study how energy efficiency can help mitigate potential negative effects of this increased demand. We strongly encourage the Commission to get ahead of the issue and begin to better understand the impacts of a future winter peak.

I.D. Peak Natural Gas

Peak Natural Gas: *Alternative One and Sub-Alternative A and/or Sub-Alternative B*

We support the development of recommendations for estimating avoided peak natural gas costs. This would start with identifying the winter peak periods for gas, as stated in Alternative One. There is, as Staff noted, a very limited public record to draw on here. Either of the Sub-Alternatives would be acceptable, though requiring utilities to provide actual data, rather than proxies or estimates based on other jurisdictions from Sub-Alternative A would provide a more objective and state-specific result. If Wisconsin adopts this Alternative and develops a peak gas period and quantification methodology, those practices will likely become a key citation for other states that may contemplate such decisions in the future. In that regard, spending the time with the EWG to thoroughly research the issue and document the findings is warranted.

I.E. Emphasis between Business and Residential Programs

[1] https://michaelsenergy.com/wp-content/uploads/2021/08/Keynote-Tom-Wilson-EPRI.pdf
[2] https://michaelsenergy.com/wp-content/uploads/2021/08/Keynote-Tom-Wilson-EPRI.pdf

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Emphasis between Business and Residential Programs: *Alternative One or Alternative Two*

MEEA is agnostic on what ratio the Focus on Energy program uses to target customers. What is most important to us is that the program uses its funds on cost-effective energy savings. If the *2021 EE Potential Study* states that the program does not have to adjust its formula to continue to reach cost-effective savings, then MEEA supports this existing ratio. We certainly are not opposed to tweaking the formula to further emphasize either residential or business programs if there is justification for doing so. There are energy savings to be had in all customer sectors.

MEEA believes that the benefits of the Focus program should be distributed in an equitable manner. We ask that the Commission and the Focus program make concerted efforts to ensure that this remains the case. Whether or not the budget breakdown remains the same, Focus should target the state's most vulnerable and energy burdened communities on both the residential and business sides.

I.F. Resource Acquisition and Market Transformation

Balance between Resource Acquisition and Market Transformation: *Alternative Two and Sub-Alternative A and Sub-Alternative B*

We do not think that increasing the emphasis on market transformation must, as the memo suggests, "have implications for the program's resource acquisition savings targets" in the near term. The potential for near-term savings from market transformation programs is entirely dependent on the specific measure and its natural market adoption baseline – some technologies are scalable on a quicker timeframe and can produce savings more quickly than others that are just emerging. Over the lifetime of the program, market transformation programs have been demonstrated to deliver larger energy savings and can be more cost-effective over the program lifetime than a traditional resource acquisition program. A strong market transformation portfolio should include initiatives that will produce energy savings over various timeframes.

The reduced customer incentive spend from market transformation programs should not be seen as a detriment to the Focus portfolio, since these investments will still yield customer benefits even if a direct financial incentive from Focus is not one of them. Market transformation programs are structured to remove barriers to adoption and when those barriers are successfully removed, financial incentives will no longer be needed for those measures. Market transformation should be seen as a strategy for benefiting a greater number of customers than resource acquisition programs could achieve through direct measure-level incentives.

Allowing Focus to include more market transformation initiatives aligns with shifts happening in other Midwestern states, including Illinois and Minnesota. Greater market impacts can be achieved when utilities and states can partner together on initiatives and economies of scale will help each state's investment go further than if they were going at it alone. Understanding the market transformation infrastructure in Illinois and Minnesota can help provide Wisconsin with a replicable framework for measuring market transformation programs and quantifying energy savings. Wisconsin could also join onto market transformation initiatives already underway in the Midwest and Pacific Northwest, providing opportunity for near-term energy savings since the much of the foundation of the program has already been developed with other program administrators.

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MIDWEST ENERGY EFFICIENCY ALLIANCE
20 N. Wacker Drive, Suite 1301
Chicago, Illinois 60606
312.587.8390 Main Line
312.587.8391 Fax
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MEEA supports Alternative Two, increasing Focus' emphasis on long-term market transformation by identifying parts of its portfolio that can be adapted. We also support both Sub-Alternative A and Sub-Alternative B. For Sub-Alternative A, potential studies or other research should be used to adopt a goal that is achievable but still accelerates adoption. A market transformation potential study under Sub-Alternative B would be immensely valuable for developing a robust market transformation strategy for Focus's portfolio.

I.H. Primary and Secondary Cost Effectiveness Tests

Quad IV Primary Cost-Effectiveness Test: *Alternative Eight, or Alternative One as a fallback position*

The discussion of the primary cost-effectiveness test in the Phase II memo represents a way of thinking about cost-effectiveness testing that is somewhat outmoded. It relies on the definitions of the traditional cost-effectiveness tests that were developed by the California commission and have served the industry for several decades. The modern, best practice understanding of what cost-effectiveness means comes from the *National Standard Practice Manual for Benefit-Cost Analysis of Distributed Energy Resources (NSPM for DERs)*.[3] Rather than considering that the primary test for Wisconsin should be one of the California tests or layering on additional impacts to make a "modified" or "expanded" version of one of those tests, the process for determining the cost-effectiveness test for Wisconsin should mimic the process that is ongoing in Minnesota right now to reform the cost-effectiveness testing for the Minnesota Conservation Improvement Programs (CIP).

The CIP Cost-Effectiveness Advisory Group, of which MEEA is a participant, has engaged in a multi-stage process, following the framework laid out in the NSPM, to determine the test for the state. First, stakeholders did a thorough review of all relevant state policies to prioritize a list of possible impacts that could be included. Staff did a similar thing in the Phase II memo, noting several statute references that supported various tests. The Minnesota process goes much further than this. The policies reviewed by stakeholders in Minnesota included legislative targets and definitions, CIP-specific statutes, commission statutes, and other policies – looking broadly at anything that might be relevant. The review process tabulated which policies suggested the inclusion of various participant and non-participant customer impacts and societal impacts in testing. The impacts identified in this process were drafted into a straw proposal for a primary test, which would also include the full range of utility system impacts that should be at the core of any cost-effectiveness test. Stakeholders provided comments and discussion on the straw proposal and MN Department of Commerce staff will use those comments to craft a report recommending a "Minnesota Test" that incorporates all the impacts that were identified as important and relevant. The next phase of the working group will be to take that report and ensure that methodologies are in place to quantify those impacts.

Wisconsin has an excellent opportunity to follow Minnesota in breaking away from the traditional cost-effectiveness paradigm and mindset. If an NSPM-driven policy review conducted by Staff and stakeholders finds that the current test, which looks something like a TRC with added emission benefits, is the best test that addresses all the state's

[3] https://www.nationalenergyscreeningproject.org/national-standard-practice-manual/

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20 N. Wacker Drive, Suite 1301
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relevant policies, then it can continue to do so – with the hope that there is a recognition that it is, in fact, a jurisdiction-specific "Wisconsin Test" rather than a "modified TRC." Or if it is determined that some of the impacts that would normally be included in a model TRC test are not relevant to Wisconsin policies, then they can be left out of that jurisdiction-specific test. Definitions of tests that originated almost 40 years ago should not drive how Wisconsin determines whether energy efficiency (or other DER) resources are worth acquiring. Wisconsin's policies should make that determination, and the primary test should measure how well the resource meets those relevant policy goals and only those policy goals.

Until such time as Wisconsin uses the NSPM framework to establish a jurisdiction-specific test, we can only support maintaining the status quo. There is no adequate reason to make a lateral move to another of the California tests that may also continue to not truly reflect Wisconsin's policy priorities.

Secondary Cost Effectiveness Test: *Alternative One (d)*

It is probable that the decision in the previous section will provide a primary test in Wisconsin that looks something like it does now – a test that is being given the misnomer of a "modified TRC" – addressing utility system impacts and a set of non-utility energy and non-energy impacts. As a secondary test, then, it is most useful to have a test that strips back the list of included impacts to only the core utility system impacts and shows the net costs and benefits to the utility system of acquiring the resource. This test would look like the traditional Utility Cost Test (aka Program Administrator Cost Test). This would be the most useful for understanding the cost of acquisition for the program administrator and help to prioritize between programs that pass the primary screen.

If there is a desire for a deeper understanding of the customer equity and bill impacts of energy efficiency programs under Focus, then separate Distributional Equity Analysis[4] should be performed alongside cost-effectiveness testing, rather than attempting to use inadequate tests like the RIM as a secondary test. Chapter 9 of the *Methods, Tools and Resources Handbook for Quantifying DER Impacts for Benefit-cost Analysis (MTR Handbook)*[5] provides guidance on how cost-effectiveness testing and equity analysis differ in their inputs and outputs and how they complement each other.

Low-Income and Income-Qualified Programs in Cost-Effectiveness Testing: *Alternative One or Alternative Three*

As mentioned in our Phase I comments, Wisconsin lags several of its neighbors when it comes to spending on low-income energy efficiency programs. Utilities like Ameren and ComEd in Illinois, CenterPoint and Xcel in Minnesota and DTE and Consumers in Michigan are collectively spending hundreds of millions on low-income energy efficiency, dramatically reducing energy bills and increasing the quality of housing. MEEA encourages the Commission to consider all options to spur increased investment in this sector. The performance-based regulation workshops have been an encouraging development and MEEA believes this model could lead to increased voluntary utility efficiency programming, including in the low-income sector.

[4] https://www.nationalenergyscreeningproject.org/resources/energy-equity-and-bca/
[5] https://www.nationalenergyscreeningproject.org/resources/quantifying-impacts/

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With that in mind, MEEA believes that the Commission should do all it can to encourage, or at least not discourage, low-income programming. Ensuring that low-income programming is not required to pass cost-effective screening in order to be implemented is one way to do that. MEEA is advocating for Alternative One or Alternative Three in this section. Many Wisconsinites of even moderate income are struggling to pay their bills, so we support the higher threshold of 80% of state median income.

In deciding between the two tactics of excluding low-income programming from the primary cost-effectiveness testing (Alternatives One and Two) or using a benefits adder (Alternatives Three and Four), it is useful to look at the national perspective. The most common approach identified in the *Database of Screening Practices (DSP)*[6] for addressing low-income customers in cost-effectiveness testing is that of an Alternative Threshold. Alternative thresholds are used by more than half (16 of 27) of the states who address low-income non-energy impacts in their cost-effectiveness testing. The use of Proxy Values, such as an adder, is used by just under a third (7 of 27). Neither of these approaches is controversial.

Either approach being considered here – an adder or not requiring screening – is essentially going to have the same general outcome, since they have the same effect of lowering the benchmark. For example, a benefit adder of 25% would be equivalent to an alternative threshold of 0.8, while not requiring passing the test is equivalent to a threshold of zero. The non-screened/zero threshold approach does not require any additional research to establish a proxy adder and ensures the most savings availability for customers, while the proxy adder approach may be helpful in ensuring that low-income customers benefit from programs that are effectively and prudently designed in order to still meet a lower cost-effectiveness level.

I.I. Avoided Costs

Electric Avoided Energy Costs: *Alternative One*

We support the status quo here. The Market Data Method is one of four methods for calculating energy generation impacts that is reviewed in the *MTR Handbook.*[7] The *MTR Handbook* notes that depending on the Independent System Operator, Locational Marginal Pricing can include not just energy costs, but also capacity costs and transmission congestions costs, and it is necessary to ensure that there is not double counting on capacity or transmission costs.

Avoided Electric Capacity Costs: *Alternative One*

The *MTR Handbook*[8] presents five alternatives for quantifying generation capacity impacts. The Peaker Plant Method used by Focus is consistent with recommendations there. The *MTR Handbook* notes this method's advantages of simplicity and use of public information, but it may not accurately account for timing of capacity needs or the actual available capacity types.

Avoided T&D Costs: *Alternative Two*

[6] https://www.nationalenergyscreeningproject.org/state-database-dsp/
[7] Previously cited. Section 3.2.1.b.
[8] Section 3.2.2.b.

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Noting the recommendations of the EWG for developing an alternative method that does not rely on non-public data, MEEA supports Alternative Two here. The EWG should review Section 3.3 of the *MTR Handbook* for methods for quantifying transmission capacity impacts and transmission system losses. Similarly, Section 3.4 should guide the exploration of methods for quantifying the impacts on distribution capacity, distribution system losses and distribution voltage impacts. Recommendations made to the Commission should be consistent with these industry best practices.

Avoided Natural Gas Costs: *Alternative One*

The method currently being used by Focus is consistent with the Henry Hub Plus Basis Method outlined in the *MTR Handbook*.[9] We support maintaining the status quo here.

I.J. Carbon Value

Value of Carbon: *Alternative Three or Alternative Four.*

MEEA supports the Commission's effort to understand if the current approach does enough to value avoided carbon emissions. The Social Cost of Carbon is one of two methods outlined in the *MTR Handbook*[10] for determining the cost of greenhouse gas emissions. The other option is to create a Marginal Abatement Cost curve to prioritize options based on their cost-effectiveness. This Marginal Abatement Cost approach is noted as having advantages over the Social Cost of Carbon in that it is more tailored to the jurisdiction.

As Alternative Three is the only option that is consistent with the approach of the MTR Handbook, we endorse that alternative. Alternative Four, if the Commission chooses that approach, should use the marginal abatement cost method and compare that result with the Social Cost of Carbon to determine which is a better choice for Wisconsin. The market-based approaches considered by Alternative One or Alternative Two are not consistent with the current understanding of industry best practices and should not be used.

I.K. Discount Rate

Discount Rate: *Alternative Four or Alternative Two*

It is useful to look at examples of other states that have faced similar challenges. In this case, Minnesota faced a similar decision to make regarding the discount rates to be used in its Conservation Improvement Programs (CIP). As outlined in *the Decision of February 11, 2020, in Dockets G999/CIP-18-782 and E999/CIP-18-783*,[11] the choice between a societal discount rate (SDR) or the utility weighted average cost of capital (WACC) was debated through several rounds of stakeholder meetings and Staff information requests. In order to strike a balance between the perspectives of the utility and the ratepayers, a weighted "CIP Utility Discount Rate" was calculated based on the

[9] Section 4.2.2
[10] Section 7.1.2, Step 4
[11] https://efiling.web.commerce.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={F0943570-0000-CD1F-8C8C-9A3C836481A8}&documentTitle=20202-160294-01 or https://www.nationalenergyscreeningproject.org/wp-content/uploads/2020/02/2.17.20-MN-Dockets-E-G999-DOC-DC.pdf

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percent of total program costs that are paid by participants and the percent of participant costs paid by residential and C&I customers, with the SDR (in this case, 3.02%) being applied to the residential side and the WACC (varying by utility from 6.38–7.03%) applied to the C&I side. This resulted in a weighted discount rate that ranged from 5.34–5.79% depending on the utility. This weighted discount rate will be used in calculating Utility Cost Test scores, while the lower SDR will be used for Societal Cost Tests.

If Alternative Four is chosen, a thorough review of the Minnesota *Decision* and the stakeholder feedback is suggested as background and could guide initial positioning for a straw recommendation for discussion. Otherwise, we support the continued status quo of the low, but non-zero, discount rate of 2% as stated in Alternative Two.

II.B. Renewables

Renewables Budgets: *Alternative One or Alternative Three with Sub-Alternative E and either Sub-Alternative A or Sub-Alternative C*

As we mentioned in our comments for Phase I, Focus' current funding level means that the Commission must make difficult decisions on where to allocate these limited resources. MEEA understands and respects that other environmental advocates may push for more flexible and expanded budgets for Focus' renewable energy offerings. However, Wisconsin has fallen behind its Midwestern peers in terms of total energy saved. There is a tremendous amount of energy savings to be had, and MEEA believes that Focus should dedicate as many resources as possible to its energy efficiency offerings.

MEEA has made the argument in other dockets and planning processes that Wisconsin would benefit from increasing the Focus on Energy budget. In conjunction with Synapse, MEEA recently released our *Missed Opportunities* report.[12] In that report, MEEA and Synapse studied what the potential impact would be if Wisconsin doubled its budget for Focus, which was included in the Governor's Task Force on Climate Change recommendations and Governor Evers' proposed budget. We concluded that Wisconsin would see a potential annual increase of $222 million in net benefits.[13] When including the social cost of carbon, Wisconsin would see $664 million in benefits. Wisconsin has left energy savings on the table, and Focus could access more of those energy savings in a cost-effective manner if given a larger budget. With that, we support Alternative One, but would be open to Alternative Three with Sub-Alternative A or Sub-Alternative C. We understand the need for flexibility, but we ultimately ask that the Commission see the value in Focus' efficiency offerings and preserve the existing ratio for funding.

Lastly, we support the aims of Sub-Alternative E. Wisconsin will need to continue to support workforce development as demand for workers in the renewable energy and energy efficiency sectors is only expected to increase. MEEA believes that Focus is an appropriate place for the state to support workforce development in these industries.

II. C. Underserved Rural and Other Customers

Rural and Underserved Customers: *Alternative Three and Sub-Alternative A*

[12] https://www.mwalliance.org/sites/default/files/meea-research/missed_opportunities_-_midwest_ee_policy_impacts.pdf
[13] https://www.mwalliance.org/sites/default/files/meea-research/wisconsin_synapse.pdf

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MEEA appreciates the efforts of the Commission to ensure equitable dissemination of the benefits of the Focus program. While other states have struggled to access rural customers with energy efficiency programming, the Focus program is a regional leader in reaching rural and agricultural communities. We commend this concerted effort and now hope the Focus program can turn its attention more toward the state's most economically challenged communities. As mentioned in our comments under Low-Income and Income-Qualified Programs in Cost-Effectiveness Testing, Wisconsin is not doing enough to support energy efficiency programming for low-income households. Conducting additional analysis and targeting programs toward the state's most vulnerable communities is critical to ensuring that Focus' limited resources go to those who need it most.

We are encouraged by Staff's inclusion of the Department of Energy's Low-Income Energy Affordability Data Tool. If the Commission selects Alternative Three, we hope the established key performance indicators reward the targeting of Wisconsin's environmental justice communities and tribal areas in addition to energy burdened customers throughout the state.

Additionally, we support the aims of Sub-Alternative A. Low-income households are disproportionately affected by high energy burdens. Targeting resources toward these households will help lower energy bills, which in turn can help alleviate financial stress and improve the well-being of the state's most vulnerable residents. Improving the energy efficiency of these homes and communities will also provide deep energy savings. Importantly, the most energy burdened families are often living in the poorest quality housing. These structures would benefit from whole-home energy efficiency and weatherization. These programs can truly alleviate energy burden, improve the health and safety of the structures, reduce greenhouse gas emissions and strengthen communities. MEEA would support efforts by Focus to target the state's most energy burdened households with holistic programming. To do this, Focus will need a cost-effectiveness framework that sees the value of non-energy benefits and the benefits provided from improving low-income housing, as mentioned in section I.H.

II. D. Environmental and Economic Research and Development Program (EERD)

EERD Budget: *Alternative Five*

MEEA sees great value in funding research and development. As mentioned by Staff in this section and section I.F, the energy efficiency and renewable energy fields are always advancing. Technology has come a tremendous way in the last few decades, and utilities and state regulatory agencies have contributed to this advancement. Wisconsin does not spend nearly as much on R&D compared to other states and utilities. We understand the desire to prioritize funding renewable energy and energy efficiency programs, especially when Focus' budget is constrained. That being said, it would be useful to increase Focus' R&D budget and consider other funding streams for this purpose.

Minnesota caps utility R&D spending at 10% of a utility's energy efficiency program spending.[14] In the case of Xcel, the cap for its most recent triennial energy efficiency

[14] https://www.revisor.mn.gov/bills/text.php?number=HF164&type=ccr&session=ls92&version=0

MEETA
MIDWEST ENERGY EFFICIENCY ALLIANCE
20 N. Wacker Drive, Suite 1301
Chicago, Illinois 60606
312.587.8390 Main Line
312.587.8391 Fax
www.mwalliance.org

plan was $6,027,249 on the electric side and $222,679 on the gas side.[15] Xcel's proposed R&D spending for 2023 is $5,265,357 for electric and $150,061 for gas. ComEd's most recent energy efficiency plan calls for the utility to spend $11.8 million annually on R&D with an additional $2 million annually focused on R&D in the income-eligible sector.[16]

These numbers are considerably larger than anything proposed by the Commission or Staff. Maybe a more relevant example utility would be Evergy, a utility with territory in Missouri and Kansas, both of which are states that do not mandate utility energy efficiency. Evergy's 2023 energy efficiency plan for Missouri has the utility spending just over $300,000 on research and pilots out of a total efficiency budget of about $29 million.[17] Evergy's percentage of spending on R&D (approximately 1%) is significantly smaller than other Midwestern utilities, but even so is a much higher percentage than either of the budgets proposed by PSC Staff in Alternative One and Alternative Two. With Focus' total budget at around $97 million, R&D spending would need to increase to about $1 million to match Evergy's R&D ratio.

MEEA supports the PSC Staff proposal to double the existing EERD budget to $200,000, but we would argue that is not a substantial enough increase to the program. MEEA supports Alternative Five in which the Commission can decide to raise the budget for EERD but also explore alternative funding streams. We, too, want to see the vast majority of Focus' budget go directly to energy saving measures. However, the dollar amounts suggested by Staff will not meaningfully move the needle on cutting edge utility R&D. If Wisconsin is serious about funding the next generation of energy efficiency technologies and programs, additional resources need to be diverted to EERD. We support the Staff recommendation to look outside of Focus for these funds given the budget constraints on the Focus program.

II.E. Behavior Program Approval by the Commission

Behavioral Programs: *Alternative One*

As mentioned by PSC Staff, most the country's largest utilities offer behavioral efficiency programs. This is true in the Midwest, as several of Wisconsin's neighboring states have utilities with behavioral program offerings, like Ameren, ComEd, Indiana Michigan Power, Peoples Gas, North Shore Gas, CenterPoint and Xcel, among others. In DTE's most recent energy waste reduction (EWR) plans, the Michigan Public Service Commission will allow the utility to reach up to 25% of its energy savings on the residential side from behavioral programs.[18] We cite this example as DTE's proposed residential budget for its 2023 EWR plan is $44.7 million, not far from Focus' $34 million budget for residential programs in 2022.[19]

While Focus on Energy runs an extremely cost-effective portfolio, Wisconsin has fallen behind several Midwestern states when it comes to total energy saved. As Staff mention,

[15] https://www.xcelenergy.com/staticfiles/xe-responsive/Company/Rates%20&%20Regulations/Regulatory%20Filings/MN%20fillings/2021-2023-CIP-Triennial-Plan.pdf
[16] https://www.icc.illinois.gov/docket/P2021-0155/documents/321073
[17] https://www.efis.psc.mo.gov/mpsc/commoncomponents/view_itemno_details.asp?caseno=EO-2019-0132&attach_id=2022012770
[18] https://mi-psc.force.com/sfc/servlet.shepherd/version/download/0688y000001noqBAAQ
[19] https://mi-psc.force.com/sfc/servlet.shepherd/version/download/068t000000Nii00AAB

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behavioral programs have been proven through academic research and program evaluation to offer significant energy and demand savings. This same research also proves that behavioral energy efficiency programs are extremely cost-effective for utilities to run. Allowing behavioral energy efficiency programming would help Focus diversify its portfolio, while still supporting its primary goal of delivering energy savings in a cost-effective manner.

Simply put, behavioral programs are another tool in the toolbox for Focus on Energy to reach meaningful energy savings. MEEA remains agnostic to what kind of programs Focus decides to run in Quad IV, but we believe the Commission should allow Focus to use all types of energy saving programs at its disposal. MEEA supports Alternative One.

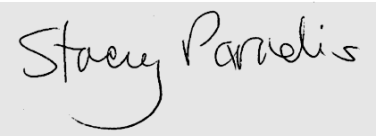
Conclusion

MEEA thanks the Commission for the opportunity to comment on this important matter. Wisconsin's arrangement of a statewide administrator is unique and has long been successful in reaching energy savings throughout the state. However, due to restrictive budgets, Wisconsin has fallen behind its Midwestern peers in program spending and energy savings. MEEA appreciates that the Commission and Staff are using the Quadrennial Plan IV process to explore how Focus on Energy can continue to find energy savings in a cost-effective manner.

Making decisions on cost-effectiveness tests, avoided costs and program budgets can be difficult and technical. We appreciate the Commission and Staff's thoughtfulness in addressing these issues. Ultimately, the Focus on Energy program has been extremely effective at finding meaningful and cost-effective energy savings. Regardless of what decisions are made in this Quad Plan, we hope that the Commission and Staff continue to explore ways to expand the reach and charge of the Focus program. It is imperative that all Wisconsinites have access to the benefits of renewable energy and energy efficiency programs, especially as we continue forward in this energy transition.

MEEA is appreciative of the opportunity to weigh in on this Quadrennial Plan process. We are confident that the Commission and Staff will make these structural changes in a thoughtful and measured way. MEEA looks forward to aiding Staff and the Commission in its efforts to expand and modernize the Focus on Energy program to reach more energy savings. If you have questions on these comments or want additional information, please contact Maddie Wazowicz, MEEA Policy Manager, at mwazowicz@mwalliance.org. Thank you for your consideration.

Sincerely,



Stacey Paradis
Executive Director, MEEA

MEEA
MIDWEST ENERGY EFFICIENCY ALLIANCE

20 N. Wacker Drive, Suite 1301
Chicago, Illinois 60606
312.587.8390 Main Line
312.587.8391 Fax
www.mwalliance.org

These comments reflect the views of the Midwest Energy Efficiency Alliance – a Regional Energy Efficiency Organization as designated by the U.S. Department of Energy – and not the organization's members or individual entities represented on our board of directors.