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| <p>SERVICE DATE Jan 30, 2014</p> |
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PUBLIC SERVICE COMMISSION OF WISCONSIN

Quadrennial Planning Process II

5-FE-100

REQUEST FOR COMMENTS

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| <p>Comments Due:</p> <p>Friday, February 21, 2014 - 12:00 noon</p> | <p>Address Comments to:</p> <p>Jolene Sheil, Docket Coordinator Public Service Commission P.O. Box 7854 Madison, Wisconsin 53707-7854</p> |
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By Notice dated July 3, 2013, the Commission opened an investigation to examine the energy efficiency and renewable resource programs (statewide and utility voluntary programs) and to determine their appropriate goals, priorities, and measureable targets. The Commission opened the Quadrennial Planning Process II docket by its authority under Wis. Stat. § 196.374(3)(b)1., which states:

At least every 4 years, after notice and opportunity to be heard, the commission shall, by order, evaluate the energy efficiency and renewable resource programs under sub. (2) (a) 1., (b) 1. and 2., and (c) and ordered programs and set or revise goals, priorities, and measurable targets for the programs. The commission shall give priority to programs that moderate the growth in electric and natural gas demand and usage, facilitate markets and assist market providers to achieve higher levels of energy efficiency, promote energy reliability and adequacy, avoid adverse environmental impacts from the use of energy, and promote rural economic development.

The Commission's decisions in Quadrennial Planning Process I covered the 2011-2014 period for the statewide energy efficiency and renewable resource program known as Focus on Energy (Focus). The decisions in this Quadrennial Planning Process II will cover the 2015-2018 period. In the Notice of Investigation (NOI) of July 3, 2013, the Commission sought comments on the appropriate scope of the Quadrennial Planning Process II. Of particular interest were comments regarding which decisions made in Quadrennial Planning Process I, in addition to the statutorily required decisions, should be revisited, as well as any new issues that should be addressed in the Quadrennial Planning Process II. Decisions made in Quadrennial Planning Process I are set forth in Attachment A to the NOI. ([PSC REF#: 187137.](#))

At its meeting of December 13, 2013, the Commission determined which issues would be part of the scope for the second Quadrennial Planning Process. ([PSC REF#: 197255.](#)) The Commission is now seeking comments on the following five issues included in the Quadrennial Planning Process II scope:

- a. Focus' role in cost-effectively meeting federal carbon standards;
- b. Relative emphasis of energy and demand savings;
- c. Overall energy goal in lieu of kilowatt-hour (kWh) and therm goals;
- d. Rate impact mitigation strategies; and
- e. Renewable energy issues.

Comments on each of these five issues is specifically being requested at this time either because it is 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); is related to one of the new issues (emphasis between energy and demand savings and rate mitigation strategies); or has been revisited frequently during the 2011-2014 time period (renewable energy issues). Below is the summary of each of these five identified issues. You may wish to refer to the Commission memorandum of November 22, 2013 ([PSC REF#: 194828](#)), for additional information. Specific questions of interest to Commission staff are included. However, feel free to provide any additional comments that you believe are important to the issue.

While the Commission has identified the above five issues for further exploration at this time, you are also welcome to comment on other issues included in the scope of the Quadrennial Planning Process II. Stakeholders will also have the opportunity to comment on all scoping issues when the draft memorandum to the Commission is sent out for comment sometime in the spring of 2014.

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

Clean Wisconsin (Clean WI) requested that the Commission address this new issue in the Quadrennial Planning Process II. Clean WI states that it would benefit state agencies to consider as early as possible how they might position the state to implement and comply with the standards set under Section 111(d) of the Clean Air Act.

In approving this issue as part of the plan scope, Commissioners noted that Wisconsin relies on coal for a significant amount of its generation capacity and stated that the Commission should consider any possible avenue for ensuring the state can meet federal carbon standards. The federal rulemaking process for implementing the carbon regulations has already begun. As part of this process, the Wisconsin Department of Natural Resources, with the support of the Commission and the State Energy Office, sent a letter to the U.S. Environmental Protection Agency (EPA) in December 2013 with several recommendations for how federal compliance mechanisms should be designed. The letter recommended that savings from Focus be allowed to count as a compliance

mechanism, citing Focus' emphasis on reducing electricity use and its existing efforts to estimate associated emissions reductions.

Questions to Consider

- a. Assuming demand-side energy efficiency will be an allowable compliance mechanism, should Focus be used to cost-effectively meet federal carbon standards? Why or why not?
- b. What changes to Commission policies regarding energy and demand savings would better position Focus to assist in the state's compliance with federal carbon standards?
- c. What changes in the design and implementation of Focus programs would better position Focus to assist in the state's compliance with federal carbon standards?
- d. How should carbon attributes of energy efficiency savings be assigned or obtained?

2. Energy and/or Demand Emphasis

As part of the first quadrennial plan, the Commission determined that the Focus Program Administrator's contract should emphasize energy savings to a greater degree than demand savings. The decision directed that the Program Administrator's energy savings goals should be "more aggressive" than its demand reduction goals, and that the emphasis on energy savings should also be reflected in the design of the Program Administrator's performance bonus. The types of technologies that programs promote are affected by the relative emphasis between energy and demand savings. For example, a program focused on peak kilowatt (kW) reductions would not actively promote outdoor lighting as these technologies save kWh, but have little effect on kW reductions. In the residential sector, there are few technologies to target for peak kW savings, but many that reduce kWh.

Several stakeholders suggested that this issue be revisited in the current quadrennial plan. Concerns were expressed that the more limited emphasis on demand reduction did not take into account its value for deferring power plant construction and for integrating Focus' demand reduction effort with other policy tools. In approving the issue as part of the scope, the Commissioners noted that demand reduction was worthy of discussion in light of indications that utilities will be seeking capacity increases in the next five years; and that the balance of energy and demand reduction can be relevant to Focus' role in state compliance with federal carbon regulations.

Questions to Consider

- a. Should energy and demand reductions be of equal priority when setting Focus goals? If not, which should receive priority and why?
- b. To what extent can the relative emphasis between energy and demand savings affect Focus' ability to help achieve carbon reduction goals?

- c. To what extent can the relative emphasis between energy and demand affect Focus' ability to influence future statewide capacity needs?

3. Overall Energy Goal Rather than Specific Goals for kWh, kW, and Therms

In a memorandum dated October 7, 2013, Commission staff outlined the concept of an overall energy savings goal rather than specific goals for kWh and therms. ([DL: 874021](#).) Under this concept, the overall Commission-established goals would be set in British thermal units (Btu), a general measure of energy use. This would allow the Program Administrator to reach the overall goal using any combination of therms and kWh. In including this issue, Commissioners stated that they believe the exchange rate being implemented in 2014 was a sensible response to concerns regarding the difficulty in achieving therm savings with the current low natural gas prices and stated that overall savings goals were worth further consideration as a way to help the Program Administrator respond to changing market factors.

Questions to Consider

- a. What are the advantages to establishing an overall savings goal for Focus, compared to establishing specific kWh and therm goals? What disadvantages?
- b. What methods and considerations are appropriate in establishing overall savings goals?
- c. If an overall energy savings goal is established, should minimum levels of kWh and therm savings still be required? If so, how should those thresholds be determined?

4. Examine Effective Rate Impact Mitigation Strategies that Could Be Achieved in the Planning Period

In the prior Quadrennial Planning Process, which considered increased funding for the Focus program, the Commission addressed potential rate impacts of the Focus program. Commission staff reviewed previously-conducted studies that quantified the rate impacts of energy efficiency programs at various funding levels. Commission staff also conducted its own study to identify potential rate and bill impacts of energy efficiency on Wisconsin electric customers. After considering the results of these analyses, the Commission determined that adopting conservative funding is a significant means of controlling any rate impacts that may be associated with the statewide energy efficiency and renewable resource programs. The Commission also stated rate pressures would be considered on a case-by-case basis in utility rate proceedings. When considering the issue of rate mitigation as it relates to Focus program funding in the second Quadrennial Planning Process, the related issue of whether Focus is used to cost-effectively meet federal carbon standards needs to be considered.

Questions to Consider

- a. How does the cost of cost-effective energy efficiency compare to the cost of other carbon mitigation strategies? Should this difference be considered in determining whether to implement rate mitigation strategies?
- b. What rate mitigation strategies do you see as being effective?

5. Renewable Energy

There are two issues related to renewable energy that stakeholder groups believe should be revisited:

- a. Appropriate goals and funding for Renewable Resource Programs; and
- b. Renewable Resource Program cost-effectiveness.

a. Appropriate goals and funding for Renewable Resource Programs

Wisconsin Stat. § 196.374(3)(b)1. requires the Commission to set or revise goals, priorities, and measurable targets for the Focus energy efficiency and renewable resource programs. Budget levels are an indication of program priorities. In its original decision in Quadrennial Planning Process I, the Commission determined that renewable energy measures would be evaluated for cost-effectiveness in the same manner as energy efficiency measures. The Commission also determined it reasonable for Commission staff to work with the Statewide Energy Efficiency and Renewables Administration (SEERA) to set the budget allocation for renewable resource programs, business programs, and residential programs. Subsequently, in an Order dated April 26, 2012, the Commission established a maximum budget for renewable programs for 2013 and 2014 at \$10 million. This Order also established further criteria for the funding of renewable resource projects. For 2013 and 2014, the renewable resource incentives were required to be allocated 75 percent to Group 1 technologies (biomass, biogas, and geothermal) and 25 percent to Group 2 technologies (wind, solar thermal, and photovoltaic). Additionally, the \$10 million incentive funding level is contingent upon maintaining a Focus program portfolio benefit-to-cost ratio of at least 2.3 and a reduction in energy savings of the portfolio of programs due to the inclusion of renewable measures of no more than 7.5 percent. ([PSC REF#: 163778.](#))

This issue was revisited again in the fall of 2013. In an Order dated September 26, 2013. ([PSC REF#: 191060.](#)) The Commission made several determinations, including confirming that the 75-25 split between Group 1 and Group 2 technologies should be maintained on an annual basis. Because this criterion would not be met in 2013, incentives for Group 2 technologies were suspended for the remainder of 2013.

b. Renewable Resource Program cost effectiveness

In the first Quadrennial Plan, the Commission determined that the cost effectiveness of customer-sited renewable resource measures and programs shall be determined in the same manner

as energy efficiency measures and programs. The Commission further determined that public policy should dictate the extent to which renewable resource measures that are not cost effective should be included in the portfolio of programs in order to meet public policy objectives. Commission staff was asked to develop criteria, for Commission approval, to guide decisions about whether to incorporate additional renewable resource measures that do not pass the modified Total Resource Cost test into the Focus portfolio of statewide programs.

Questions to Consider

- a. How should renewable resource program cost effectiveness be determined?
- b. How should the goals and funding levels for renewable resource programs be determined?
- c. Are there criteria that should be applied to renewable resource funding, either as a whole (such as maintaining a minimum portfolio level of cost effectiveness) or by measure or measure group (such as the Group 1 and Group 2 funding currently in place)?

DOCUMENTS. All documents in this docket are filed on the Commission's Electronic Regulatory Filing (ERF) system. To view these documents: (1) go to the Commission's web site at <http://psc.wi.gov>, (2) enter "5-FE-100" in the box labeled "Link Directly to a Case," and (3) select "GO."

COMMENTS. The Commission requests comments on the above issues. Comments are due no later than Friday, February 21, 2014, at 12:00 noon. Any utilities, organizations, or interest groups shall file one comment using the Commission's ERF system.

To file such a comment, go to the Commission's web site at <http://psc.wi.gov>, and click on the "ERF - Electronic Regulatory Filing" graphic on the side menu bar. On the next page, click on "Need Help?" in the side menu bar for instructions on how to upload a document.

Any members of the general public shall file only one comment either through the Commission's web site or by mail as follows:

- **Web Comment.** Go to the Commission's web site at <http://psc.wi.gov>, click on the "Public Comments" button on the side menu bar. On the next page select the "File a comment" link that appears for docket number 5-FE-100.
- **Mail Comment.** All comments submitted by U.S. mail shall include the phrase "Docket 5-FE-100 Comments" in the heading, and shall be addressed to:

Docket 5-FE-100 Comments
Public Service Commission
P.O. Box 7854
Madison WI 53707-7854

Docket 5-FE-100

The Commission will not accept comments submitted via e-mail or facsimile (fax).

Any material submitted to the Commission is a public record and may appear on the Commission web site.

CONTACT. Please direct questions about this docket or requests for additional accommodations for the disabled to the Commission's docket coordinator, Jolene Sheil, at (608) 266-7375 or Jolene.Sheil@wisconsin.gov.

Dated at Madison, Wisconsin, this 30th day of January, 2014.

A handwritten signature in cursive script that reads "Carol Stemrich".

Carol Stemrich
Assistant Administrator
Gas and Energy Division

CS:JS;jlt:DL: 00898026