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May 14, 2021

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 Roadmap to Zero-Carbon Investigation (5-EI-158)

Thank you for the opportunity to submit information in response to the investigation regarding zero-carbon electricity generation in the state of Wisconsin posed by Notice of Investigation 5-EI-158. At MEEA, we leverage our expertise to be the Midwest's leading resource for our members, allies, policymakers, and the broader industry to promote energy efficiency as the essential pathway to achieve a clean, affordable, equitable and sustainable future. By lowering 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 the state's planning processes over the last year. We tracked the Governor's Task Force on Climate Change by attending meetings of the Energy, Housing, Infrastructure, & Transportation Subcommittee and submitting comments on draft recommendations. Additionally, MEEA is currently participating in the state's development of a clean energy plan. MEEA's Executive Director, Stacey Paradis, sits on the committee tasked with helping the Office of Sustainability and Clean Energy decide what recommendations should be included in the plan. With this in mind, MEEA feels equipped to respond to the PSC's request, and we look forward to supporting and promoting recommendations to help enhance and expand energy efficiency opportunities in Wisconsin.

Recommendations

1. Financial incentives to drive deeper energy savings

To be successful and cost-effective for Wisconsinites, the state's plan to reach zero-carbon electricity generation must prioritize energy efficiency. While expanding Focus on Energy's budget would lead to increased energy savings and lessen dependence on carbon-based generation (as proposed in both the Governor's Task Force on Climate Change and the

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upcoming state clean energy plan), Focus' budget is not under the purview of the Commission. Therefore, MEEA suggests exploring a regulatory mechanism to encourage individual utilities in Wisconsin to provide targeted energy saving programs that are outside the Focus on Energy program scope.

Focus on Energy is a regional leader and an effective statewide administrator of energy efficiency and renewable energy programs. It is imperative that Focus continues to find and achieve deep energy savings for the state to reach zero-carbon generation. However, Focus is legislatively limited in its scope and funding. For example, since its renewable energy and rural efficiency programs are so successful, Focus has shifted funding away from appliance recycling rebates in order to meet that demand. While understandable, this means there are energy savings left on the table. If utilities were incentivized to fill programmatic gaps by running robust energy saving programs alongside the continued efforts from Focus, more energy savings could be realized. While this would aid the state in its carbon reduction goals, it would also provide a pathway to lower bills and increased resiliency across the state.

In order to do this, we recommend considering a financial incentive for utilities that run their own efficiency programs and meet certain metrics. Importantly, energy efficiency programs still provide far more benefits than costs even when utilities receive financial rewards. A few states in our region have successfully implemented this model. Michigan has a tiered financial incentive that allows its regulated utilities to receive up to 20% of program spending if they achieve savings beyond the statutory requirement. Investor-owned electric utilities, for example, are required to reach 1% energy savings but receive a sliding scale incentive when they surpass that requirement. Minnesota has also implemented a shared-savings mechanism that has led to deep energy savings amongst all its investor-owned electric and gas utilities. In a long-running PUC docket, the Minnesota Department of Commerce has proposed a financial incentive where utilities would receive 10% of net benefits for each .1% of savings above their statutory requirements.

In that docket, Fresh Energy, National Housing Trust and Natural Resources Defense Council proposed a financial incentive to encourage more robust energy efficiency programming in the low-income sector. Specifically, the proposed financial incentive structure capped at 20% of a utility's low-income program spend that would apply when utilities:

- exceed minimum statutory spending requirements for low-income programs by 50%;
- exceed certain low-income energy savings thresholds; and,
- spend at least 80% of their low-income budget on non-direct install measures.

Of course, with Wisconsin's statewide administrator, a mechanism like this could not be perfectly replicated since utilities are not statutorily required to meet these thresholds on their own. However, a carefully crafted financial mechanism could spur utilities to invest in their own energy efficiency portfolios. Additionally, a mechanism could be targeted to address customers or sectors that the Focus on Energy program is currently underserving because of funding and regulatory limits, like the low-income sector.

Recommendation: The PSC should consider opening a docket exploring a financial incentive to reward utilities for meeting energy savings goals with their own utility-run energy efficiency programs.

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2. Stakeholder collaboration

Creating a framework for utilities and stakeholders can help find solutions for several of the PSC's identified core topics. Many of the states in MEEA's 13-state territory host stakeholder collaboratives focusing on energy efficiency, which aim to increase cooperation amongst utilities, maintain program continuity and encourage program innovation. For example, Michigan and Illinois host collaboratives managed by their respective state regulatory commissions to discuss specific technological advancements, which could help the Commission grapple with its identified topics.

Encouraging stakeholder collaboration has been discussed as a potential recommendation for inclusion in the state's clean energy plan. As the plan's draft working document states, effective stakeholder collaboration can:

- improve the quality of utility filings, as collaboratives offer avenues for stakeholders and advocates to share new ideas;
- encourage new approaches and solutions as new challenges arise, like the ongoing COVID-19 pandemic;
- help utilities and stakeholders reach consensus on filings, reducing the need for stakeholder intervention once the filings are at the Commission; and,
- modernize policies, programs and regulations that no longer benefit utilities and their customers.

Ultimately, collaboration will be an important tool in reducing the state's carbon-generated electricity. Not only can collaboratives help improve and expand efficiency programs, which in turn diminish the state's dependence on carbon generation, but collaborative environments can also help bring new ideas forward and promote partnerships to reach this statewide goal. A statewide zero-carbon goal cannot be met by one utility alone. Rather, this goal will require buy-in and cooperation from all of the state's utilities, agencies and stakeholders.

Michigan, Illinois and Missouri also have separate collaboratives focusing on low-income energy efficiency, which offers a platform for utilities and advocates to discuss the unique challenges and opportunities that arise when designing efficiency programs for under-resourced households. Increasing energy efficiency opportunities for low-income households will lower utility bills, improve the health and safety of the housing stock and help prioritize and center equity of under-resourced and environmental justice communities. Additionally, participation of utility customers in these collaboratives can increase transparency, lead to a more equitable decision-making process and help utilities learn more about customer concerns. Having advocates, customers and utilities in the same room can spur innovation and build trust.

Additionally, Missouri, Minnesota, Michigan, Illinois and Nebraska have specific statewide building code collaboratives to support stakeholders and advocates in the building community. These collaboratives can focus on policy changes, program development and trainings to promote compliance with codes. These programs lead to reduced energy consumption and emissions, improved indoor air quality and improved building resiliency for both new and existing buildings.

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Recommendation: Based on the models throughout the Midwest, the PSC should establish a statewide collaborative where utilities, advocates and regulators can discuss issues that arise as the state transitions to a zero-carbon generation future.

3. NSPM for DERs

As noted by the Commission, the increased deployment of customer-level distributed energy resources (DERs) and the increased availability of new technologies will contribute to the clean energy transition in the state of Wisconsin. If leveraged and regulated properly, these new resources and technologies can accelerate the state's transition to carbon free generation, while offering economic and environmental benefits.

A key issue related to increased deployment of DERs is how to make resource acquisition decisions. Establishing a common benefit-cost analysis (BCA) framework to compare both supply- and demand-side distributed resources will ensure that there is a transparent and comprehensive assessment of the value of each resource.

The National Standard Practice Manual for Benefit-Cost Analysis of Distributed Energy Resources (NSPM for DERs) provides a policy-neutral approach to BCA of DERs, including:

- energy efficiency
- demand response
- distributed generation
- distributed storage
- building and vehicle electrification
- multiple DERs

The NSPM for DERs includes a framework for developing a primary BCA test that meets jurisdictional policy goals. Its chapters review each DER and provide details on that resource's benefits and costs for the utility system, the host customer and society. It also has guidance for analyzing multiple DERs on a single site or as non-wires solutions within a geographic area.

A common BCA framework for DERs plays a role in:

- utility resource planning & acquisition
- distribution planning
- optimization of system costs
- evaluation of performance metrics
- maximization of benefits of projects
- aggregation of DERs for the market

While MEEA focuses on energy efficiency, the interconnectedness of the grid and distributed resources makes other adjacent, expanding and developing distributed energy technologies relevant to our work. MEEA's contributions on the steering committee for the NSPM, and our relationships with the Department of Energy, the National Labs and a broad spectrum of clean energy advocates across a multi-state region makes it evident to us that modernizing benefit-cost analysis is a vital part of meeting clean energy and decarbonization goals. The NSPM is the best resource for guiding modernization efforts and understanding the value of the resources toward meeting the state's policy goals.

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Recommendation: The PSC should consider establishing a Benefit-Cost Analysis Working Group that will follow the NSPM process to develop a jurisdiction-specific primary test for the benefit-cost analysis of all distributed energy resources.

Conclusion

MEEA thanks the Commission for the opportunity to comment on this important matter. Ultimately, we believe that energy efficiency must be an essential part of the PSC's approach to zero-carbon generation. While Wisconsin's unique arrangement of a statewide administrator means that not all matters of energy efficiency are under the Commission's purview, we believe that there are things the Commission can do in order to accelerate and improve the deployment of energy efficiency programs. Energy efficiency is an important and necessary component to reduce reliance on carbon-based generation.

In addition, energy efficiency is the lowest cost resource that can help utilities in their long-range planning to ensure that carbon reduction targets are actually met while improving system resiliency. There are economic benefits of efficiency: though the industry was hurt by COVID-19, there currently are about 56,000 workers in Wisconsin's energy efficiency workforce. Importantly, energy efficiency is also a policy tool to address social and racial equity. Energy efficiency programs can improve indoor air quality and improve the health and safety of homes and buildings. Additionally, efficiency can improve a home's value and can lower utility bills for the most cost-burdened communities, both of which are especially important in this current economic crisis.

By considering the above recommendations and studying how the Commission can promote and increase opportunities for energy efficiency, we believe Wisconsin can make meaningful progress toward reaching its goal of zero-carbon generation.

Sincerely,

Stacey Paradis
Executive Director, MEEA

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.