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September 30, 2024

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 Wisconsin Public Service Commission (PSC) Staff Memo on Promoting Beneficial Electrification and Consideration of Fuel Neutral Savings Goal (Docket 5-FE-104)

Introduction

Thank you for the opportunity to submit comments concerning Focus on Energy's role in promoting beneficial electrification and how that modified role can potentially impact savings goals. 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. Ultimately, 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.

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 businesses and industries. MEEA serves as a technical resource, promoting program and policy best practices and highlighting emerging technologies, all to maximize energy savings, reduce costs, improve resiliency and lower energy burden. 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 and helping explain the benefits of embracing energy efficiency.

MEEA has a long history of engaging in WI PSC dockets and planning processes, and we have commented on several staff memos on the Quadrennial Plan Process IV over the last two years. Importantly, MEEA has weighed in on several fuel-switching policy proceedings in Illinois, Michigan and Minnesota, like legislative efforts, efficient fuel-switching filings and future of gas proceedings. Because of this, and our reputation as the region's sole advocate focused exclusively on energy efficiency, MEEA feels equipped to add our perspective to these issues of beneficial electrification and fuel neutral savings goals. As always, we look forward to supporting and promoting efforts to enhance and expand energy efficiency in Wisconsin.



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

- **Lower Consumer Costs:** *Alternative One*
- **Beneficial Electrification Definition:** *Alternative Four*
- **Additional Beneficial Electrification Issues:** *Alternative One*
- **Fuel Neutral Savings Goal:** *Alternative Two*

Discussion of Supported Alternatives

Commission Alternatives - Lower Consumer Costs

Beneficial electrification will impact customer costs: some customers who install a heat pump, for example, will save money immediately, whereas others will see substantial bill increases. Ultimately, MEEA supports Alternative One with its more holistic approach to viewing customer costs. We select this option for a few reasons.

First, it is important to note that there are many reasons a customer may elect to fuel-switch a measure or their entire structure. It is certainly likely that costs come into play for many consumers, especially since bills can decrease in specific situations where a customer also elects to improve the efficiency of their building shell. However, costs are not the only concern. If a customer wants to install an electrified end use, they should be allowed to do that under the Focus program. As a fuel-neutral organization, it ultimately should not be up to us which source fuel a customer decides to use. Rather, our focus is that the structure is as efficient as possible, which ultimately helps various end uses operate efficiently, reducing unnecessary emissions and customer costs.

Second, we believe that a broader view on costs will assist the state in its policy goals. As some customers might not be as price conscious or have other motivations for changing the fuel type of a specific end use, they may not mind if their bills are the same or even slightly increased after selecting a fuel-switching measure. If Focus only served customers who would experience immediate bill savings, this would greatly restrict the number of homes and buildings the Focus program could serve. In addition, the memo points out that a narrow view of costs may end up discriminating against customers, as each utility that contributes to the Focus program has its own rates. It is possible that a customer may experience cost decreases within one utility service territory, but not another. Under a narrower view of costs, a customer may be ineligible for an upgrade because of this disparity in rates. This is also relevant to our later discussion in the Fuel Neutral Savings Goal category. A narrow definition of costs may make achieving certain kWh or therm goals more challenging, but a broader view of costs coupled with a MMBtu savings goal will ultimately help Focus serve the broadest



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swathe of customers. A restrictive view of customer costs will ultimately make it more challenging for Focus to serve its customers.

Lastly, while we believe that a broader view of costs is the right alternative, we think customers would be best served if they are informed of potential bill impacts, one way or another. We have seen this play out in other states that are grappling with meeting carbon reduction goals while balancing increasing consumer costs. Illinois' [Climate and Equitable Jobs Act](#) (CEJA), which passed in 2021 and enables beneficial electrification, explicitly states that customers must be informed on potential impacts to their bills in section b-27: "Prior to installing an electrification measure, the utility shall provide a customer with an estimate of the impact of the new measure on the customer's average monthly electric bill and total annual energy expenses." In our view, this is a fair middle ground, allowing customers to have all the information necessary to be empowered to make a decision that makes the most sense for them. This is all the more important for low-income customers. Additional steps should be taken to ensure low-income customers do not experience increased costs, as many low-income customers are already struggling with their utility bills. If a low-income customer elects to install a heat pump, for example, program administrators should consider additional incentives for building shell improvements to ensure the heat pump is installed in the most efficient structure possible to mitigate any price spikes. Additional care is needed to ensure low-income customers are not saddled with higher bills.

Ultimately, MEEA is comfortable with a broader view of customer costs outlined in Alternative One, but we encourage the Commission to consider additional consumer protections so customers are aware of potential bill impacts one way or another, especially for those who already experience an outsized energy burden.

Commission Alternatives - Beneficial Electrification Definition

MEEA believes Alternative Four is the best option as it reframes beneficial electrification to beneficial fuel-switching. This broader term can help Focus target a wider range of customers by identifying decarbonization solutions as opposed to strictly electrification solutions. It will be challenging to completely decarbonize some sectors, especially the industrial sector, and it is wise to consider a wide array of solutions for this industry that may or may not incorporate electrification. As the memo mentions, this matches Minnesota's definition in its Energy Conservation and Optimization (ECO) Act. Minnesota is a good comparison for Wisconsin as it has a similar climate and also a pragmatic approach to policymaking. While some Minnesota advocates were initially concerned about the potential for fuel-switching from electric to gas, the other components of the fuel-switching definition have made that scenario unlikely as the measure must ultimately reduce emissions. This definition allows for more flexible



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approaches to broader decarbonization but will not inadvertently open Focus up to accepting projects that go against the program's policy goals.

Midwestern states have taken varying approaches on whether a fuel-switching definition should incorporate site or source savings. Minnesota's ECO Act requires an efficient fuel-switching measure to reduce source emissions, whereas Illinois' CEJA emphasizes site emissions. This is likely due in part to the differences in the resources that make up their respective electric grids. We believe that reducing source emissions should be a part of the definition Focus adopts. Ultimately, tracking source emissions is beneficial as it helps to have the same comparison point for different building types. The memo states that this data is easier to capture and adopting a definition that includes site emissions would require additional resources. Staff note that Focus has a longstanding practice of emphasizing a reduction of site emissions. While this would be a shift in prioritization, it seems that the industry is coalescing around source emissions being preferable, as the delta of emissions reductions will become more significant as the grid adopts cleaner technologies. Thus, we feel that this is a better definition for Wisconsin as it aligns with the spirit of Focus' policy goals.

We also appreciate that Alternative Four keeps customer costs in its definition. While we outlined above that a holistic approach to considering costs will serve the Focus on Energy program best, it is important to factor customer costs—both energy and non-energy costs—into the definition. As mentioned, customers may elect to still pursue a fuel-switching measure even if their costs rise, but it would be shortsighted to completely ignore this data.

Commission Alternatives - Additional Beneficial Electrification Issues

MEEA understands that expanding Focus' role in promoting beneficial electrification and efficient fuel-switching will likely result in additional issues that will need to be resolved. While we appreciate Staff's willingness to request public comment on these potential issues of key performance indicators and grid impacts, we are most supportive of Alternative One. We trust the Evaluation Work Group to make some of these decisions and would be comfortable deferring to their judgement. Importantly, we think Alternative One is the best option as its timing is the most preferable. Doing the research and analysis on these issues prior to Quad V makes the most sense as it will provide the Commission and program administrators more time to prepare for Quad V scoping. We support Alternative One.

Commission Alternatives - Fuel Neutral Savings Goal

We commend Focus on Energy Staff for their work in laying out these potential alternatives. It is evident that setting goals for the Focus program is a delicate balancing act to ensure that all communities are reached equitably with both gas and electric efficiency measures.



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The memo describes a difficult environment for program administrators, as the loss of savings from lighting, variable avoided fuel costs and the increased transition from natural gas heating to heat pumps have muddled the electricity savings picture. This is set to become more challenging as the state rolls out rebate programs from the Inflation Reduction Act (IRA), which will encourage uptake of electric end uses and further complicate electricity goals for Focus.

Due to these considerations, we believe it is reasonable to adopt Alternative Two and transition the Focus program to concentrate on MMBtus instead of specific kWh and therm goals. While this would be a change in policy, this alternative would be in line with how more and more policymakers are thinking about energy efficiency. Regulators in many states have considered or adopted policies directing energy efficiency programs to focus on MMBtus or greenhouse gas emissions over kWh or therm targets. We understand that energy efficiency is not just lighting anymore. We believe a fuel neutral goal is likely the future, as it is more adaptable for these modern and complex energy efficiency portfolios. It would benefit the state and the Focus program to adopt this new standard now as the energy efficiency industry moves into this new era of programming and evaluation. A fuel neutral goal will also be helpful as the state implements IRA programs. Program administrators will now have the flexibility to meet customers where they are in their energy efficiency journey, allowing for maximum braiding and stacking without program administrators worrying that their savings or budgets are skewing too far to one side.

We respect the additional concerns Staff outline in the memo. We appreciate the specific call-out that the Commission intends to continue tracking both kWh and therm savings. This information is extremely valuable in understanding what is driving customers and the market, and we believe this data should be tracked regardless of which alternative is selected. Additionally, to address a specific Staff concern, we do not think a switch to a fuel-neutral goal would be discriminatory or hurt customers who use specific fuels. Rather, a fuel-neutral goal is just that: neutral. Customers who pay into the Focus program will still have access to Focus rebates, but will now have more flexibility, not less, to ensure that they are receiving the cost-effective upgrades that make the most sense for their situation. As a fuel-neutral organization, we believe Alternative Two is the fairest solution as it does not prioritize or elevate one source fuel over another. Rather, it allows program administrators to tackle the most pressing needs of each structure and find the best energy efficiency solutions regardless of the structure's fuel sources.

Conclusion

We sincerely commend the program administrators for their thoughtful approach to these complicated matters. While MEEA does have stances on these topics, we



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ultimately are here to help Wisconsin and its program administrators in their efforts to improve programmatic infrastructure for the Focus on Energy program in Quad IV and beyond. Establishing guidance on Focus' role in promoting fuel switching is of critical importance especially when considering the rollout of IRA rebates, which are designed in part to promote electrified end uses. If you have questions on these comments or want additional information, please contact Policy Director Maddie Wazowicz at mwazowicz@mwalliance.org. Thank you for your consideration.

Sincerely,

Paige Knutsen, Executive Director

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.