

A Revised A to Z Guidebook:

Commitment to Community Programs for Municipal Electric Utilities and Rural Electric Cooperatives

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Preface

This Revised “*A to Z Guidebook: Commitment to Community Programs for Municipal Electric Utilities and Rural Electric Cooperatives*” has been prepared for Members of Municipal Electric Utilities of Wisconsin (MEUW) and Wisconsin Electric Cooperative Association (WECA).

The purpose of this Guidebook is to provide a one-stop resource for MEUW and WECA Members regarding Commitment to Community (CTC) programs. In the following Chapters, the Guidebook provides a discussion of the history, purpose, and benefits of these programs, the applicable state law, how to make these program offerings effective for and responsive to the needs of your customers/members, and various tools to assist with proper record keeping and meeting collection and annual reporting requirements. Previously released in July 2014, the Guidebook is updated throughout and includes new PSC Guidelines for CTC programs and a new CTC Estimation Workbook.

MEUW and WECA jointly hired Slipstream to update this Guidebook. We appreciate Slipstream’s facilitation and contributions to this project. We also thank the Public Service Commission of Wisconsin and the Wisconsin Department of Administration Division of Energy, Housing and Community Resources for their invaluable assistance with Guidebook revisions.

We trust this Guidebook will provide you with the information and tools you need to effectively implement and run your Commitment to Community program.

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Chapter 1: History and Purpose of Commitment to Community Programs

1999 Wisconsin Act 9

Commitment to Community (CTC) programs were first created as a result of legislation in Wisconsin's 1999 state budget bill – commonly referred to as Act 9. The goals of the legislation include:

- improving the reliability of energy sources
- helping individuals and businesses save money by using less energy
- assisting in development of efficient and environmentally safe renewable energy sources
- increasing energy-related aid to qualifying low income customers/members

Act 9 was the product of work among investor-owned utilities, municipal electric utilities, rural electric cooperatives (RECs), large and small customer advocacy groups, environmental and renewable energy groups, and others to arrive at satisfactory accommodations that permitted each to achieve its diverse objectives. Act 9 is also known as the “Reliability 2000” bill because it contains various means to help prevent the reoccurrence of the potential power shortages that had been very close to occurring over the prior three summers. The “Public Benefits” requirements for investor-owned utilities, RECs, and municipal electric utilities were included in Act 9 to recognize the anticipated move to a more competitive industry and to bolster the contribution of energy efficiency and renewable energy in ensuring reliability in Wisconsin.

Prior to Act 9, utilities had been responsible for developing and administering their own energy efficiency programs for their customers/members. As a result of the 1999 legislation, all investor-owned utilities in the state of Wisconsin were required to participate in a new statewide energy efficiency and renewable energy initiative called Focus on Energy (Focus), administered by the Department of Administration (DOA). Municipal electric utilities and RECs were required to begin collecting a “Public Benefits” fee of \$16 per meter, with \$8 per meter allocated to energy efficiency programs and \$8 per meter allocated to low income assistance and weatherization services. Municipal utilities and cooperatives could opt to join the statewide efforts by contributing their fees to the program, or develop their own local programs with those funds. This was largely due to a successful effort by municipal electric utilities and RECs advocating that, because of the democratic nature of their operating structures, it would be best to allow them to retain direct responsibility for developing and administering such programs. The term for the local utility-led programs for municipal electric utilities and RECs is “Commitment to Community.”

What are “Public Benefits”?

In this context, the term “Public Benefits” refers to the ability of energy programs to produce advantages for not only the individual but also for the general public. By using less energy a customer/member can save on their bill while the general public is better off due to reduced

environmental impacts, increased reliability of energy supply, avoided or delayed construction of additional power plants, better control of overall energy rates, a stronger economy, etc.

Though Act 9 mandates that municipal electric utilities and RECs must pursue activities that are directed at low income assistance and energy efficiency, these efforts can provide a wide range of valuable benefits for customers/members, local communities, and even the utility itself.

2005 Wisconsin Act 141

The structure of Public Benefits in Wisconsin underwent several significant changes in July 2007 in response to new legislation, 2005 Wisconsin Act 141, which was passed to address shortcomings of Act 9. Act 141 continues to provide the framework under which statewide and CTC programs operate today. Act 141 shifted overall administration of the Focus program from the DOA to the Public Service Commission and investor-owned utilities. The legislation requires investor-owned utilities to collectively fund Focus programs and establish contracts to operate the program, which utilities have carried out by creating a joint nonprofit entity, called the Statewide Energy Efficiency and Renewables Administration (SEERA). The move reduced the risk of ratepayer dollars being diverted to the state's general fund (which had occurred under the original structure) and allows the PSC to more effectively consider the results of energy efficiency and renewable energy programs when planning for the state's future energy needs.

Other changes resulting from Act 141 include funding levels for the Focus program being set at 1.2% of revenues for investor-owned utilities, and modification to customer/member eligibility guidelines based on the fuel type purchased and saved. It is important to note that the statewide low income assistance and weatherization efforts continue to be administered by the DOA and continue to be referred to as "Public Benefits." Non-low income efficiency and renewable energy programs are now referred to as "Energy Programs."

Few of the changes identified in Act 141 directly impacted municipal electric utilities and RECs. These utilities maintained the right to either opt into the statewide energy efficiency and/or low income initiatives or operate their own CTC programs. Funding levels continue to be set at \$16 per meter, with half directed to low income efforts and half directed to non-low income energy efficiency and/or load management programs. Changes that do affect municipal electric utilities and RECs are discussed in more detail in the following chapters and include:

- Annual audit and reporting to the PSC (with new requirements for calculating and documenting energy savings achieved through CTC programs)
- Transition to a calendar year for energy programs programming and reporting, rather than a fiscal year, beginning January 2009
- Elimination of solicitation for voluntary contributions

Act 141 also required that the Public Service Commission undergo a Quadrennial Planning process every four years to set or revise goals, priorities, and measurable targets for energy efficiency and renewable energy programs in the state. The planning process includes closely monitoring participation goals and budgets for the statewide Focus program, appointing an

Evaluation Working Group to make recommendations for energy program evaluation methodologies, and re-bidding the Focus administrative and evaluation contracts. The Commission conducted the first Quadrennial Planning Process in 2009-2010 and established new four-year program contracts for the 2011-14 period. Subsequent quadrennial planning processes have been completed in 2014 to inform 2015-18 contracts, and in 2018 to inform 2019-2022 contracts. Another quadrennial planning process is newly underway at the time of this Guidebook revision.

Chapter 2: Benefits of CTC Programs

Introduction

Effective CTC programs can provide real and substantial benefits to a municipal electric utility or REC, its customers/members, the community it serves, and society in general. While it is important to recognize the energy benefits of lower utility costs and lower customer/member bills from such efforts, there are equally important non-energy benefits that these programs can provide, many of which are discussed in more detail below.

- *Reduced wholesale and distribution costs.* Appropriately designed CTC programs can reduce the total bill for purchased power or to produce power paid by the utility. These savings can be passed on to all customers/members. In addition, general and targeted energy efficiency can reduce or defer the need for distribution upgrades or new construction.
- *Protection against market volatility.* CTC efforts can reduce the risk and costs of meeting customer/member demand and stabilize rates by protecting against sharp increases in capital or power/fuel costs.
- *Increased customer/member value/service.* A more comfortable home or a more competitive business creates an important source of value for consumers. Offering successful CTC programs may increase overall customer/member satisfaction with the local utility.
- *Community economic development.* Funds saved by effective energy efficiency programs are likely to be spent on other local goods and services in the community. This is especially true for recipients of Low Income Assistance programs who are better able to face the difficult task of caring for a family on a limited income. This increased spending is good for the local economy and may result in increased employment for community residents.
- *Environmental and social benefits.* Greater efficiency in the use of our resources reduces the potential adverse impacts on the environment and human health, and reinforces a community's ethic to assure that it is a high quality place to live and work. In addition, providing assistance to those with less means than most helps ensure the sense of togetherness that characterizes a community.
- *Complying with legislative requirements.* While compliance cannot be ignored, it is not a driver of successful CTC programs. The benefits listed above are the reasons for a municipal electric utility or REC to pursue effective CTC programming. Securing these benefits aligns CTC programs with legislative obligations.

Chapter 3: 2005 Wisconsin Act 141

Requirements

Introduction

This chapter identifies the legislative requirements that municipal electric utilities and RECs must satisfy to be in compliance with the CTC requirements of 2005 Wisconsin Act 141. Most of the requirements related to CTC programs set forth in Act 9 remain unchanged in Act 141, with a few exceptions noted below.

1. *Collecting CTC fees from customers/members on an annual basis*

- Each municipal electric utility and REC must collect an *average* of \$16 per meter per year to fund CTC efforts. The utility may determine the amount that a particular class of customers/members is required to pay and may charge different fees to different classes of customers/members.
- The utility must ensure that the total increase in a customer's/member's bill due to the collection of the CTC fee does not exceed 3% of the total bill for every other charge for which the customer/member is billed, or \$750 per month, whichever is less. Act 141 retains the cap on the total fees collected for both energy and low income programs, but repeals the original June 30, 2008 sunset date.

2. *Deciding whether to participate in statewide efforts or keep funds for local CTC programs*

- Municipal electric utilities and RECs may opt to transfer the funds collected for participation in the Focus program and/or DOA's Low Income Assistance program. Focus and DOA each has its own process for opting in or out as described below.
 - Municipal electric utilities or RECs that opt into Focus are required to make a three year participation commitment. The most recent formal opt-in/opt-out period for participation in Focus took place in the fall of 2019 and is effective through 2022. Focus operates on a calendar year from January through December. Therefore, next opt-in/opt-out will occur in the fall of 2023, when Municipal electric utilities and RECs have nine months to see which programs Focus is offering after the most recent PSC quadrennial planning decisions.
 - Contact the DOA directly to inquire about opting into the statewide Low Income Assistance program. Participation in the low income program will typically remain active unless a request to opt out is received in writing prior to May 1, with termination effective June 30 of that year.
- Municipal electric utilities and RECs may establish joint CTC programs with other municipal electric utilities or RECs. However, each participant in a joint program must comply with its specific spending requirements.

- A municipal electric utility or REC has three options for how it will choose to administer low income assistance and energy programs. Each of these options is discussed later in this Guidebook.

3. *Annual accounting and reporting of CTC energy programs and/or low income assistance programs*

- If a municipal electric utility or REC chooses to contribute all fees collected for participation in both the Focus program and DOA's statewide Low Income program, the utility is not required to submit an Annual Report to either agency.
- Act 141 requires that municipal electric utilities and RECs retaining fees collected to run their own CTC energy efficiency programs, low-income programs, or both, must provide for an annual independent audit of the programs and prepare more detailed Annual Reports than what had been required under Act 9. All reports must be electronically filed with the PSC using the Electronic Regulatory Filing (ERF) system and should include: (a) an accounting of public benefit fees charged to customers/members, (b) a description of the CTC programs established, and (c) the effectiveness of the CTC programs in reducing demand for electricity by customers/members. More detail related to audit and reporting requirements are discussed in subsequent sections of this Guidebook.

In addition to the obligations of a municipal electric utility or REC under the CTC sections of Act 141 described above, there are a few other provisions that are very important for municipal electric utilities to be aware of:

- The CTC fees collected by a municipal electric utility or REC are not considered income of the utility, but trust funds of the CTC program budget.
- CTC charges are not taxable for either gross receipts or sales tax purposes.
- If a wholesale supplier establishes an energy program or low income assistance program, a municipal electric utility or REC that is a customer or member of that wholesale supplier may receive credit for such expenditures toward its CTC fee requirements.
- A municipal electric utility customer or REC member who is eligible to participate in a CTC low income assistance program is not eligible to also participate in DOA's statewide Low Income Assistance program. Similarly, customers and members eligible to participate in a CTC energy efficiency program are not eligible to also participate in Focus.
- The cost of fee collection and program planning and administration may be recovered from collected CTC funds.

The role of the PSC and DOA in CTC program efforts

Act 141 provided the Public Service Commission of Wisconsin (PSC) with oversight of the statewide and investor-owned utility administered energy efficiency and renewable resource programs. Although the PSC does not directly oversee CTC programs administered by municipal electric utilities and RECs, Act 141 does require more stringent annual auditing and

reporting of the CTC programs. These Annual Reports will be submitted to the PSC for use in determining the effectiveness of the programs in reducing customer/member demand for electricity and identifying their potential impacts on the state's energy resource planning. Results are included in an Annual Report to the legislature on energy efficiency and renewable energy activities in Wisconsin as required by Act 141.

Additionally, the PSC has authority to ensure that each municipal electric utility and REC annually inform their customers/members of the purposes, revenues, expenditures, and programs conducted via the utility's CTC efforts.

It should be noted that while PSC does not directly oversee CTC programs, PSC does maintain oversight of a municipal utility's voluntary energy efficiency programs when they are funded with additional dollars collected from ratepayers over and above the CTC charge. Voluntary municipal utility programs can be proposed, reviewed, and approved as part of utility rate cases; PSC may also establish annual reporting requirements as a condition of approval.

Any program development and spending beyond that which is required by Wis. Stat. § 196.374(7), is considered a voluntary program. A voluntary program could be run by a municipal utility or REC regardless of whether it decides to join Focus. If the utility is running a voluntary program beyond its own CTC program, it should follow guidelines to determine cost-effectiveness of the programs. If the municipal utility or REC is a Focus member, then it must also consider what measures are offered by Focus, and verify that voluntary efforts are not duplicating or competing with Focus efforts. In these cases, the municipal utility or REC should offer programs that complement Focus and will still achieve significant savings within the service territory.

While CTC dollars are only allowed to be spent on energy efficiency and load management services, voluntary spending may also include incentives for renewable energy development. Voluntary spending for municipal utilities will be examined by the PSC for reasonableness and effectiveness during rate cases and the Annual Report.

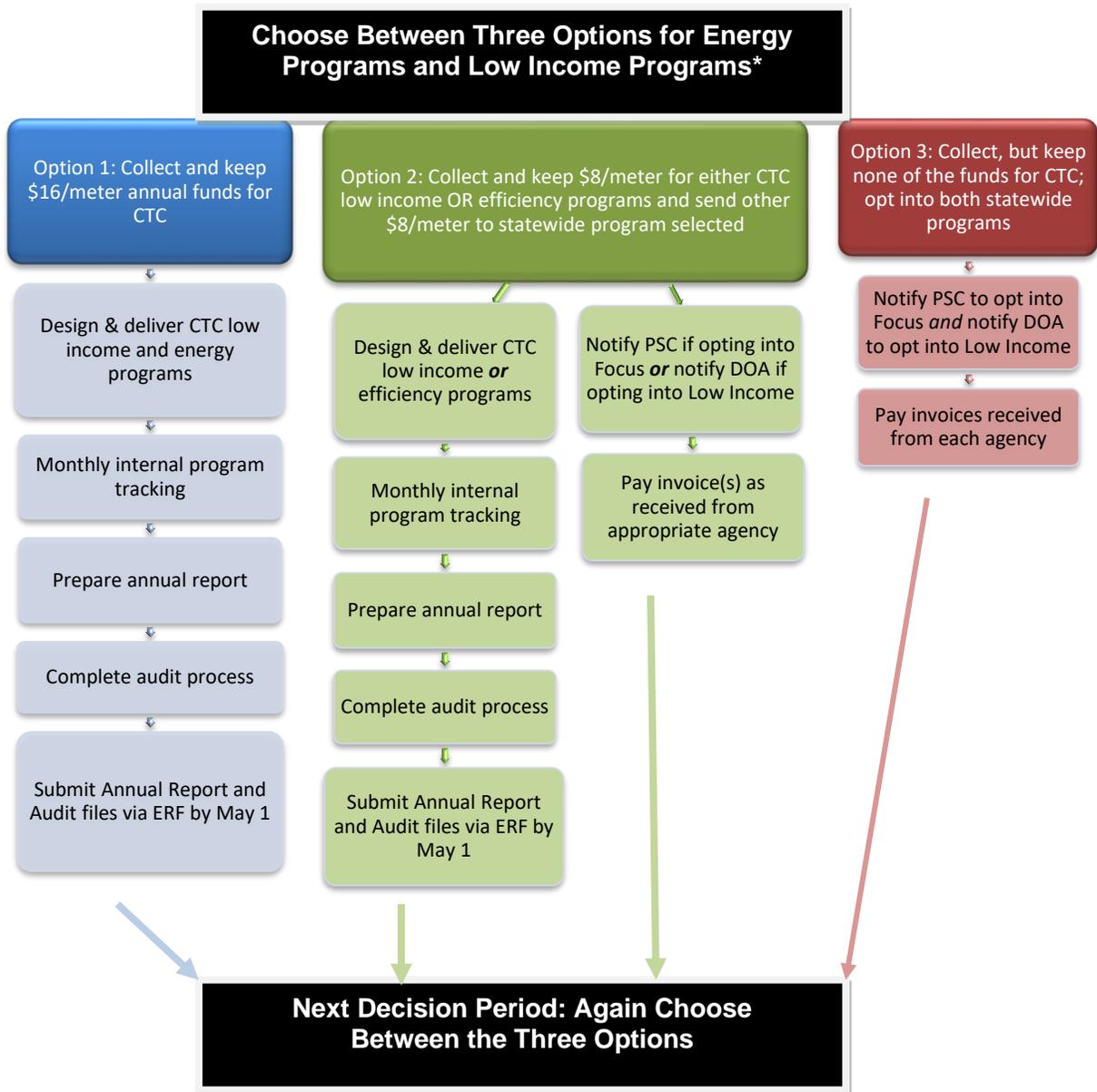
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It is important to recognize that the absence of direct PSC or DOA authority over municipal electric utility and REC CTC programs does not mean there may not be considerable public scrutiny of these efforts. If CTC programs are not well planned and effectively administered, some may call for increased oversight and accountability to the PSC or recommend new legislation requiring all energy utilities to transfer funds for use in statewide programs. Further, it may be possible for third parties – such as customers/members – to sue if they believe that a municipal electric utility or REC is failing to comply with Act 141 requirements.

In order for municipal electric utilities and RECs to continue to enjoy the unique discretion in administering CTC programs provided to them under Act 141, decisions related to program design and expenditures should always be judged against two principles:

- Whether they are consistent with the *intent* of Act 141 requirements
- Whether there is clear and credible justification for how they further the purpose of “public benefits” through energy efficiency, load management, or low income assistance

Obligations & Process for Municipal Electric Utilities and Rural Electric Cooperatives under CTC



Chapter 4: The CTC Annual Report and Audit

Introduction

Act 141 requires that municipal electric utilities and RECs retaining the fees collected for the CTC program must prepare an Annual Report and provide for an annual independent audit of the programs. Municipal electric utilities and RECs sending all fees to the statewide program are not subject to this audit. Municipal electric utilities and RECs who only maintain the fees for one program (energy efficiency or low income) must only report on the program for which they retain fees. Program participants were not required to do this under the previous Public Benefits Law.

Annual Report

The Annual Report will be prepared and submitted by the municipal electric utility / REC or their program delivery subcontractor and will be reviewed by the independent auditor. More details regarding the Annual Report – including templates and instructions – are provided in Appendix B.

Independent Audit

A standardized report to be used by independent auditors has been developed to assist program participants in complying with Act 141. This will assist program participants by not having to create the report on their own. The report and the steps needed to complete the report are incorporated into one document and can be found in Appendix C.

In addition, the detailed work steps the independent auditors are required to take have also been created. This will allow for consistency by requiring the same steps to be followed by each independent auditor. This will also ensure that a thorough engagement is completed by the independent auditors.

The audit will cover the same time period as reported in the CTC Annual Report. The audit is due annually by May 1 (or the first business day in May) for programs implemented the previous calendar year and should be sent using the PSC's ERF system where both the PSC and DOA will have access. In completing this engagement, independent auditors should be able to rely on some of the work done during the financial audits in order to make this as efficient as possible. Also, this engagement should be performed at the same time as the financial audit to ensure additional efficiencies.

The report and work steps are designed around the main points of the CTC Annual Report:

- General Procedures
- CTC Financial Summary
- CTC Revenues
- CTC Expenditures
- Energy Savings

Chapter 5: Collecting Commitment to Community Fees

Introduction

Regardless of how a municipal electric utility or REC decides to spend its CTC funds, each is obligated under Act 141 to collect an appropriate amount of such funds each year. This section explains:

- How much a municipal electric utility or REC must collect each year for CTC
- How to comply with the rate impact limitations during collection
- How to collect the funds required using your billing system and format

Basis collection requirements

A municipal electric utility or REC must ensure the following three requirements are met to satisfy the collection requirements of Act 141. *As a reminder, this is only the basis collection requirement; municipal electric utilities may request PSC approval to collect additional funding for energy programs through rates.*

1. An annual amount equal to an average of \$16 per meter must be collected from customers, though wholesale supplier credits from qualifying programs they offer may be applied toward this total.
2. A municipal electric utility or REC may determine the amount that a particular class of customers are required to pay and may charge different fees to different classes.
3. A municipal or REC customer's bill may not increase due to the CTC fee by more than 3% of all the other charges, or \$750 per month, whichever is less. For example, if one municipal customer has multiple monthly bills that are separately metered, the CTC fee shall not exceed 3% of all the other charges on all those bills added together for that one customer.

The CTC fees are not subject to sales tax, so when calculating the sales tax all charges less the CTC fees are included in the sales tax calculation.

The remainder of this chapter provides general guidance on how municipal utilities and RECs can comply with each of these collection requirements. PSC has developed a worksheet to help individual municipal electric cooperatives and RECs determine appropriate CTC charges for each customer/member class. Specific instructions for completing the worksheet are provided in Appendix A.

Determining the number of customers/members

Although collections are defined on a per-meter basis, collections should be calculated and applied on a per-customer/member basis, to maintain compliance with the caps on contributions by individual customers/members. While many calculations of CTC charges have historically used Energy Information Administration (EIA) Form 861 data for calculations, those data are based on the number of meters and should not be used without adjustment to account for customers/members with multiple meters.

The number of customers reported by a municipal utility on its Annual Report to the PSC, or the number of customers used in the test year data of a rate application, are the best starting point to calculate the number of customers. It is important that each municipal electric utility review the reported number of customers and make appropriate adjustments to ensure adequate collection is being attained. Example allocations are provided later in this chapter. Annual report data submitted to the PSC can be accessed [online here](#). RECs may use any appropriate source for documenting the number of customers, separated by rate class.

After making any appropriate adjustments to customer/member data, each municipal electric utility and REC can use the PSC worksheet to calculate the annual amount of CTC funds that must be recovered from customers/members. One twelfth of this amount should be collected each month, assuming there are no pre-existing credits. It is not necessary to adjust the number of customers/members mid-year to account for new customers/members or closed accounts. This adjustment should occur when you are calculating the amount to be collected for the next year.

Also, utilities that begin to collect full CTC fees for the first time in the middle of a year do not need to collect fees retroactive to the start of the year; the monthly collection amount should equal one twelfth of the total annual amount on an ongoing basis from that point forward.

Allocating collections across customer/member classes

A municipal electric utility or REC may decide to charge different customer/member classes a different fee when collecting total CTC funds. This could involve a different amount for the fee or even a different method of recovering the fee between customer/member classes.

A municipal electric utility or REC may establish different fee amounts or methods for different customer/member classes within its discretion as long as:

- the method within a class is the same for all customers/members of that class
- the recovery within a class complies with the rate cap limitations outlined in Act 141
- the sum of the collected fees from each class equals the total amount of annual fees required to be collected

In summary, a utility should be able to justify that CTC fee allocations to various customer/members classes is equitable to its customers/members and does not violate rate cap limitations outlined in Act 141.

Complying with rate impact limitations

The most significant limitation on how a municipal electric utility or REC collects CTC fees from customers/members is likely to be the rate impact limitation, which states that no customer/member may be charged more for the recovery of CTC fees than 3% of all other charges on their bills, or \$750 per month, whichever is less.

Three different billing approaches are used to comply with the rate impact limitations requirement while still equitably collecting the required total fees: 1) the “Fixed Rate” option; 2) the “Percentage of Bill” option; and 3) the “Dollars per kilowatt-hour” option. Each option may be used in the PSC calculation worksheet. A summary of the CTC collection methods being used by municipal utilities as of December 2019 is provided below based on a review of effective tariffs by PSC staff:

- 39 utilities currently use the “Percentage of Bill” option
- 29 utilities currently use the “Fixed Rate” option
- 5 utilities currently use the “Dollar per kilowatt-hour” option
- 3 utilities use combine the “Percentage of Bill” and “Dollar per kilowatt-hour” options
- 3 utilities combine the “Fixed Charge” and “Dollar per kilowatt-hour” options
- 2 utilities combine the Percentage of Bill” and “Percentage of Bill” options

The Fixed Rate Option

The Fixed Rate approach uses a fixed charge to collect fees from each customer/member class. While the fixed charge is the same for all customers/members within a class, it can be different between classes (e.g. \$1.33 per month for residential customers/members and \$25 a month for commercial customers/members). The fixed charge is calculated by determining how much in CTC fees will be collected from each customer/member class and then dividing the number of customers/members in that class into this amount to determine the per customer/member monthly fixed charge for that class.

Therefore, under a Fixed Rate option, a municipal electric utility or REC would:

1. Calculate the total amount of CTC fees that must be collected
2. Determine how much of the total required fees will be collected from each class
3. Calculate the fixed charge needed for each class that will result in collecting the amounts determined in Step 2, without exceeding rate cap limitations
4. Include the charge as a separate non-taxable line item on each monthly bill

There are two primary limitations to using the Fixed Rate method. First, if the CTC fee must be collected as a fixed charge, the rate impact limitation will make it very difficult to ensure that no customer/member is paying more than allowed (e.g. a seasonal customer/member). For example, estimates suggest that as many as 25% of residential customers could hit the rate cap in any given month regardless of the fixed rate used for the residential class. Observing the rate cap is likely to result in other customers/members having to make up the amount that cannot be collected in the residential/member class or by charging larger residential customers/members

larger fees. It is also likely to be time-consuming and expensive to iterate a standard fee amount each month that will comply as well as possible with the rate cap limitations

Second, unless one tries to apply the rate limitation to each monthly bill, there is an ongoing need to keep track of how much each customer/member has paid in fixed charges over time toward the rate cap. This will require resources to make periodic true ups as well as potentially require refunds to customers/members due to over collection.

The major benefit of the Fixed Rate approach is that it is likely to produce total revenues close to the required amount because the uncertain variable is the estimated number of customers/members by class.

Example 1) Fixed Rate Option at \$1.30/month:

This example demonstrates the CTC tariff collecting a fixed amount for two hypothetical customer/member bills. The CTC charge is not taxed and should be added after sales tax is calculated.

| | | |
|----------------------------------|-----------|---------|
| A. Pre-tax charges on bill | \$25.00 | \$50.00 |
| B. Total non-taxable CTC charge | \$ 0.75** | \$ 1.30 |
| C. Wisconsin sales tax (at 5.5%) | \$ 1.38 | \$ 2.75 |
| D. TOTAL BILL AMOUNT | \$27.13 | \$54.05 |

*** Note: In the left hand example the CTC charge must be limited to 3% of \$25 which is \$0.75. A \$1.30 fixed CTC charge in the left hand example would be 5.2% of the bill instead of the required 3%. A \$1.30 fixed charge is only 2.6% of the \$50 bill in the right hand example.*

The Percentage of Bill Option

Under the "Percentage of Bill" option, a municipal electric utility or REC would perform the following steps:

1. Calculate the total annual amount of CTC fees that must be collected.
2. Establish the percentage fee to be collected from each customer/member class based on forecast usage or sales revenues that will total the required amount. (The monthly CTC charge for customers/members in a class is calculated by multiplying this percentage times the customer/member total electric bill prior to the addition of sales tax.)
3. Ensure that no customer/member pays more than 3% of total other charges or \$750 per month – whichever is less – by setting any percentage recovery no higher than the prescribed levels.
4. Include the charge as a separate non-taxable line item on each monthly bill.

The effect of using a Percentage of Bill method as opposed to a Fixed Rate method will be that larger-usage customers/members pay more (this could cause some concern for low income, higher-use customers/members) and that the actual amount received each month will vary with

usage (rather than resulting from a misestimate of the number of customers/members). Because the amount collected is based on forecast usage, it is possible that this method could over or under collect the required CTC amounts for a year. Utilities using this method must accurately forecast sales revenue from each class to estimate the amount of total CTC fees that is likely to be recovered from each class. Any over or under collection from prior years can be rectified by adjusting the CTC collection fees when a municipal utility's rate application is reviewed by PSC staff.

Example 2) Percentage of Bill Option at 3% of Pre-Tax Charges:

This example demonstrates the CTC collecting a percentage of pre-tax bill charges for Customer/Member A (left) and B (right) who have three bills on three separate meters:

| | | |
|-------------------------------------|----------|----------|
| A. All charges on bill (before tax) | | |
| Pre-tax charges on bill 1 | \$10,000 | \$ 1,000 |
| Pre-tax charges on bill 2 | \$19,000 | \$ 1,000 |
| Pre-tax charges on bill 3 | \$ 5,000 | \$ 3,000 |
| Total charges from bills 1-3 | \$34,000 | \$ 5,000 |
| B. Total non-taxable CTC charge | \$ 750** | \$ 150 |
| C. Wisconsin sales tax (at 5.5%) | \$ 1,870 | \$ 275 |
| D. TOTAL BILL AMOUNT | \$36,620 | \$ 5,425 |

*** NOTE: In the left hand example the total pre-tax bill charges for all three meters is \$34,000 and 3% of that total is \$1,020, which exceeds the \$750 limit set by Act 141. The right hand example has total pre-tax bill charges of \$5,000 where 3% of that total is only \$150, which is below the \$750 limit set in Act 141. In both examples, the Wisconsin sales tax is calculated by multiplying 5.5% by the pre-tax total charges from all three meters. The CTC charge is not included in the calculation of sales tax.*

The Dollar per kilowatt-hour Option

Under the "Dollar per kilowatt-hour" option, a municipal electric utility or REC would perform the following steps:

1. Calculate the total annual amount of CTC fees that must be collected.
2. Establish the \$/kWh fee to be collected from each customer/member class based on forecast usage (kWh) that will total the required amount. (The monthly CTC charge for customers/members is then calculated by multiplying the \$/kWh CTC collection rate by the customer/member total electricity usage in kWh.)
3. Ensure that no customer/member pays more than 3% of total other charges or \$750 per month – whichever is less – by setting the \$/kWh CTC collection rate no higher than the prescribed levels.
4. Include the charge as a separate non-taxable line item on each monthly bill.

The effect of using a \$/kWh method as opposed to a Fixed Rate method will be that larger-usage customers/members pay more (this could cause some concern for low income, higher-

use customers/members) and that the actual amount received each month will vary with usage. Because the amount collected is based on forecasted electricity usage (kWh), it is possible that this method could over or under collect the required CTC amounts for a year. This means that any utility that uses this method must try to estimate as accurately as possible the expected energy usage from each class to estimate the amount of total CTC fees that is likely to be recovered from each class. Any over or under collection for a year should be considered when establishing the CTC fees needed to be collected in the next year.

Example 3: Dollar per kilowatt-hour Option at \$0.01/kWh:

Customer/Member A and B have three separate bills on three separate meters:

| All Charges on Bill 1 | Customer/Member A | Customer/Member B |
|----------------------------------|-------------------|-------------------|
| A. Energy use (kWh) from meter 1 | 100,000 | 10,000 |
| B. Energy use (kWh) from meter 2 | 200,000 | 10,000 |
| C. Energy use (kWh) from meter 3 | 50,000 | 30,000 |
| D. TOTAL kWh | 350,000 | 50,000 |
| E. CTC Fee | \$ 750 | \$ 500 |

The CTC fee would be calculated by multiplying \$0.01/kWh times total energy usage from all three meters, or \$750, whichever is less. If a customer/member has multiple bills, the fee cannot exceed the 3% or \$750, whichever is less. The calculation for Customer/Member A would work like this: 350,000 X \$0.01/kWh = \$3,500. Since \$750 is the lesser of the two the CTC fee would reach the cap and Customer/Member A would be charged \$750. For Customer/Member B, the CTC collection amount is calculated like this: 50,000 X \$0.01/kWh = \$500. Since \$500 is less than \$750, the CTC collection amount would be \$500.

Advantages and Disadvantages of Collection Methods

It is possible to blend CTC collection methods to capture strengths and mitigate limitations of each. The Fixed Rate approach is a simple method particularly for a class in which it is unlikely that any customer/member will exceed the rate impact limitations (or so few that manual adjustments can be made as necessary). This method is easy to calculate and is less susceptible to annual fluctuations in customer/member bills and energy usage. However, using a flat fee across all customers/members in a particular class (especially residential) may result in some customers/members paying more than the 3% limit set in Act 141. Utilities should have a detailed understanding of the number of customers/members in each class who may trigger the 3% limit and adjust the \$/month fees charged in other classes to compensate for any shortfall.

The Percentage of Bill approach works well where there are customers/members within a class with very diverse usage (some with very small bills). Therefore, it is possible for a Percentage of Bill approach to be used with smaller customers/members, e.g. residential, while a Fixed Rate approach is used for larger customers/members, e.g. commercial and industrial. Successful implementation of the Percentage of Bill method relies on accurate forecasts of revenue within each customer/member class, which may be more difficult to predict than the total number of

customers/members. This concern will be exacerbated for municipal utilities who go more than a few years between rate cases. This method may also result in over collection from very large customers/members who may trigger the \$750 month Act 141 limit (as demonstrated in Example 2 above). The \$/kWh method shares the same advantages and disadvantages as the Percent of Bill method as it relies on accurate forecasts of class-level energy usage.

Using a hybrid approach that combines multiple CTC collection methods can reduce the possibility of over and under collection. For example, residential customers/members may utilize the Percentage of Bill method to ensure that smaller customers/members do not overpay, while larger classes may utilize the Fixed Charge method set at a level well below the \$750/month Act 141 limit. This approach would result in larger customers/members contributing more than \$16 (although CTC fees would still be a very small percentage of their total bill), which would offset lower CTC collections from residential and small commercial customers/members. The PSC’s CTC Estimation Workbook allows utilities to combine multiple collection methods for different rate classes along with CTC collection limits to meet their specific needs.

Bill formats and how to collect annual CTC fees

CTC fees should be collected on the customer/member monthly bill as a separate, non-taxable line item charge. There is no restriction that prevents a municipal electric utility or REC from supplementing CTC funds with additional energy efficiency funds collected through rates. However, for municipal electric utilities, additional energy efficiency funds collected through rates must be proposed by the utility and approved by the Commission as part of the rate case process.

Following are three examples of potential billing formats that could be used with either the “Fixed Rate” or “Percentage of Bill” options.

Example 4) CTC Billing for Three Residential Customers/Members:

| | | | |
|---|----------|----------|----------|
| A. Fixed charge | \$ 5.00 | \$ 5.00 | \$ 5.00 |
| B. Energy charge | \$ 25.00 | \$ 55.00 | \$ 85.00 |
| C. CTC charge with 3% limit (if applicable) | \$ 0.90 | \$ 1.33 | \$ 1.33 |
| D. Wisconsin sales tax [(A+C) x .055] | \$ 1.65 | \$ 3.30 | \$ 4.95 |
| TOTAL | \$ 32.55 | \$ 64.63 | \$ 96.28 |

Utilities should ensure that the sales tax does not include the non-taxable CTC charge. This format will require one additional line on the bill (line B does not need to be included on the bill).

Net Metering

Net metering occurs when the utility purchases energy back from the customer/member. This may show as a credit on the customer’s/member’s bill. For a utility that allows net metering, the utility would have to calculate the customer/member bill, including the CTC fees, and deduct the bill from the result of the purchased power. For example, if a net metered customer/member

incurs \$100 in pre-tax charges and receives a credit of \$50 from net metered energy production, then the CTC fees and limits would be based on the \$100 bill.

If the utility is using the method of net billing, the electricity sold by the customer to the utility is treated as a "trade-in" toward the purchase of electricity from the utility during the same billing cycle. A utility should reduce the taxable sale price of the electricity sold by the amount of electricity you sell back to the utility. There is no carryover of credit for sales tax purposes from one month to another.

- If the monthly billing to the customer is an amount due (i.e., amount charged for electricity usage exceeds amount credited for electricity sold to the utility), sales tax is applied based on the amount due, unless an exemption applies.
- If the monthly billing to the customer is a credit balance (i.e., the amount charged for electricity usage is less than the credit for electricity sold to the utility), there is no sales tax due (the credit amount represents the charge for electricity sold by the customer to the utility for resale). In addition there is no refund of sales tax to the customer for sales tax paid in prior billing periods.

This tax treatment applies for net metering as well. With net metering, however, any credit from a prior billing period will reduce the taxable amount due in the period that the credit is applied. The amount that the customer receives when net metering is treated as a reduction in the taxable sales price, rather than a trade-in (net billing).

Example 5) CTC Billing for Net Metered Customers/Members Using 3% of Monthly Bill:

| | | |
|----------------------------------|-------------------|-------------------|
| All charges on bill (before tax) | | |
| Monthly fixed charge | \$10.00 | \$10.00 |
| Energy charges | <u>\$90.00</u> | <u>\$50.00</u> |
| Total pre-tax charges | \$100.00 | \$60.00 |
| Total non-taxable CTC charge | <u>\$3.00</u> | <u>\$1.80</u> |
| Total amount due | \$103.00 | \$61.80 |
| Net Metering Credit | <u>(\$100.00)</u> | <u>(\$100.00)</u> |
| Amount due | \$3.00 | (\$38.20) |
| Wisconsin Sales Tax 5.5% | <u>\$0.17</u> | <u>\$0.00</u> |
| TOTAL AMOUNT DUE | <u>\$3.17</u> | <u>(\$38.20)</u> |

** NOTE: In each example the CTC collection fee is calculated by multiplying the total pre-tax bill charges before net metering credits have been applied by 3% resulting in CTC collection of \$3.00 and \$1.80. WI sales tax is calculated in the same manner, however this amount is calculated after the credits have been applied. The bill should be calculated with all charges, including the CTC fees. Once the total amount due is known, the net metering credit is applied and then Wisconsin Sales Tax is calculated based on the net amount due.

Reimbursement of reasonable expenses

Municipal electric utilities and RECs may recover the cost of certain expenses from the CTC fees collected. Reasonable expenses that may be reimbursed to the utility include a nominal amount to cover the incremental administrative costs incurred from managing CTC collections and payments, audit costs associated with preparing the annual CTC report to the PSC and/or DOA, and expenses related to marketing the CTC programs to customers/members.

There is no specific limit on the amount of administrative costs that can be recovered. However, all relevant costs should be carefully documented, with clear support to justify the amount of costs incurred. Because the PSC or DOA may question certain expenditures that appear on the utility's Annual Report, it is important that utility expenses reimbursed through collected CTC funds be both reasonable and justifiable.

Chapter 6: Choosing to Keep the Funds or Opt into Statewide Program(s)

Introduction

This chapter describes the administrative options, important factors to consider, and notification process for choosing to keep the collected CTC fees or commit them to one or both of the statewide programs – Focus and/or Low Income Assistance.

Required election on the use of CTC funds

A municipal electric utility or REC has three options for retaining and/or transferring CTC funds:

- Contribute all collected fees for participation in *both* the Focus program and DOA's Low Income Assistance program. If this option is chosen, half of the total funds (\$8 per meter) would be sent to the independent accounting firm managing the funds for the Focus program and the other half (\$8 per meter) would be sent to DOA for Low Income Assistance.
- Keep all of the collected fees for CTC programs. If the utility retains all of its CTC funds, it must spend half the total funds on low income assistance efforts and the other half on energy programs.
- Keep one half of the total funds to administer local CTC funds for either low income or energy programs and send the other half to the appropriate agency for participation in its statewide efforts.

Per Act 141, municipal electric utilities or RECs that opt into Focus will be required to make a three year participation commitment. The most recent opt-in/opt-out period for participation in Focus occurred in the fall of 2019 for the 2020 through 2022 time period. The Focus Program Administrator asks municipal electric utilities and RECs in the September/October timeframe in the first year of the new quadrennium (in this case 2019), if they want to opt-in/opt-out for the following three year period. They request a decision by December 31 to be effective January 1 of the following year. Once PSC staff has been notified by the Focus Program Administration of any new opt-ins, PSC staff will notify the Focus Fiscal Agent and ask them to contact the municipal utility or REC to advise on the process of transferring funds. Utilities should contact the DOA directly to inquire about opting into the statewide Low Income Assistance program. Participation in the low income program will typically remain active unless a request to opt out is received in writing prior to May 1, with termination effective June 30 of that year.

Factors in deciding which election to make

There are several factors to be considered when deciding whether to keep the CTC funds collected or transfer all or part to the statewide program(s). A few of these will be discussed in greater detail below.

- Utility staff time and resources overall
- Capacity to monitor trends and innovate

- Customer/member preferences
- Program design and delivery expertise
- Ability to influence statewide program design
- Reporting requirements
- Budget benefits/limitations
- Marketing support

Flexibility vs. Consistency

Participation in statewide programs typically means the utility has little to no flexibility in the types of programs and incentives offered to its customers/members, which may be viewed as a disadvantage to some, but this turnkey approach to programming may also be considered a benefit to those with little time and expertise to design CTC programs. Consistency in program services and incentives can also be helpful to contractors and trade allies who deal with customers/members of multiple utilities and for customers/members who travel outside the local community to shop for lighting or other energy efficient products and see competing offers at retail stores.

Another advantage to having consistency in program offers – whether it is through participation in the statewide programs, hiring a third party administrator familiar with other regional programs (discussed later in the Guidebook), or in the utility’s own design of local CTC programs – is the opportunity to learn from what has or has not been successful elsewhere. While much can be said for innovation, it also comes with risk and the possibility for costly mistakes that could be avoided with adequate research and planning.

Finally, if a particular technology has already been independently evaluated for energy savings and cost effectiveness, it is logical to use consistent values when reporting on the same measures installed through a CTC program. An LED will save the same amount of energy regardless of where in the state it is installed. To ensure consistent applications of energy savings for measures CTC programs can use the Wisconsin Focus on Energy Technical Reference Manual (TRM). The most recent version of the TRM is always available on the Evaluation Reports page of the Focus website: www.focusonenergy.com/evaluation-reports.

Reporting

Municipal electric utilities and RECs that choose to retain all or part of the CTC fees are required to conduct an independent annual audit of the programs and submit a report to the appropriate agency. It is also beneficial to track participation in the CTC programs by customer/member to know that CTC funds are kept within the community from which they were collected.

Utilities choosing to participate in the statewide programs do not need to conduct the annual audit or prepare and file an Annual Report. Each participating utility will instead receive progress reports on the types of projects completed by its customers/members, the energy savings achieved, and the total incentives paid.

Budgets

Utilities with few low income customers/members may find that retaining the low income assistance half of their CTC funds would allow them to offer more funding and services per customer/member than they might receive through DOA's statewide program. On the other hand, communities with a large number of low income customers/members may be stretched to provide an adequate level of program services with the budget available and can benefit from the funding and scale of the statewide program.

Attempting to remain competitive with services and incentives offered through Focus may be more challenging, as customers/members completing large business or renewable energy projects may receive incentives of up to half a million dollars or more per year. Because the budget for Focus programs goes where the projects and energy-saving potential are, regardless of the amount collected within individual territories, customers/members within a community may receive more or less than what was contributed depending on the number and specific types of projects being implemented.

What a municipal electric utility or REC may want to consider is how well its customers/members may be able to leverage Focus services and funds for assistance with projects within the local community and whether this is likely to be more or less than what could be accomplished if the CTC funds are retained for local use. Utilities may contact the Focus Program Administrator for more information on services available and what similar municipal electric utilities or RECs have received in incentives. For example, Focus Energy Advisors are available to identify energy savings opportunities and help customers/members with applications for no additional fee.

A final consideration related to budget and energy program options is that a utility choosing to transfer half of the CTC collections to Focus may also collect additional funding through rates to continue running certain local energy efficiency programs for its customers/members. In doing so, the utility allows its customers/members to gain access to all the programs and incentives offered through Focus, while still being able to demonstrate a commitment to the unique needs and interests of the community it serves.

More information about the programs, services, and incentives offered through Focus or the statewide Low Income Assistance program is available by contacting the appropriate agency.

Chapter 7: Developing Effective Low Income Assistance Programs

Introduction

Programs serving Wisconsin's low income customers/members not only ensure social equity, but also provide significant financial and resource benefits to municipal electric utilities and RECs. This chapter addresses the CTC low income assistance programs, including:

- Definition of low income assistance programs and description of the general types of programs included in that definition
- Description of the DOA's statewide low income energy programs
- Value of CTC low income assistance programs
- Program examples
- Delivery and administrative options
- Accounting for low income assistance programs

What are low income assistance programs?

Low income assistance is defined for these purposes as "assistance to low income households for weatherization and other energy efficiency services, payment of energy bills, or early identification or prevention of energy crises." Included within this definition are the following types of programs to assist low income customers/members:

- In most cases the energy assistance benefit is paid directly to the low income household's energy supplier
- Crisis assistance to help low income customers/members prevent electricity shutoff
- Weatherization services including insulation, air sealing, lighting, appliances, and related services in low income homes or rental units
- Replacement of appliances, heating units, and lighting to increase the efficiency of the units and reduce the electricity use of the customer/member
- Efforts to help low income customers/members gain control of their energy costs before there is a crisis through early identification of problems, education, budget counseling, and other means such as co-payment plans
- Emergency services such as heating unit repair or replacement

Households with income at or below 60% of the Wisconsin state median income (SMI) may be eligible for heating assistance and weatherization services. Wisconsin state median income guidelines are updated each year and can be found online at www.homeenergyplus.wi.gov, or by calling 1-866-HEATWIS (432-8947).

Summary of DOA's Low Income Assistance programs

The Wisconsin Department of Administration's Division of Energy, Housing and Community Resources provides services to qualified residential households with energy assistance and weatherization needs. The statewide low-income assistance programs are called Home Energy Plus and include three main efforts – energy assistance, weatherization, and emergency heating unit repair and replacements. More information on these programs can be found by visiting www.homeenergyplus.wi.gov. Low income customers/members can be referred to the toll-free number at 1-866-HEATWIS (432-8947) to obtain program information and referrals to local program providers.

Energy Assistance

The Wisconsin Home Energy Assistance Program (WHEAP) administers the federally funded Low Income Home Energy Assistance Program (LIHEAP) and Wisconsin's Public Benefits Energy Assistance Program. In addition to regular heating and electric bill payment assistance, additional services include:

- Emergency fuel assistance
- Counseling for energy conservation and energy budgets
- Pro-active co payment plans
- Targeted outreach services
- Emergency heating unit repair and replacement

Services are provided locally through county social services offices, tribal governments, and non-profit agencies.

Weatherization

The Division of Energy, Housing and Community Resources also contracts with local agencies to administer Wisconsin's Weatherization Assistance Program. If a customer/member is eligible for weatherization services, an energy auditor will complete an evaluation of the home and determine which energy efficiency improvements are needed. Services are provided at no cost to the participant. Some common weatherization services include:

- Insulate attics, walls, and floors
- Install energy efficient lighting
- Reduce air leakage (blower door guided infiltration reduction)
- Repair or replace heating units
- Replace refrigerator and/or freezer
- Perform a general health and safety inspection
- Provide information about energy conservation and maintenance

It is important to clarify that, although a municipal electric utility or REC may choose not to participate in DOA's statewide Low Income Assistance programs, the *federal* funds for Low Income Assistance (LIHEAP and WAP) are still available to any eligible low income

customer/member. However, due to federal funding requirements, the federal funds are not earmarked solely for areas not participating in the statewide programs. The funds are distributed equally throughout the state.

The value of low income assistance CTC programs

As low income customers/members are able to reduce energy use, they are more able to pay their energy bill – which is a benefit to themselves, the utility, and other customers/members. Low income assistance CTC programs can also save significant disconnection and reconnection costs for a utility. It is resource intensive to go through continuing cycles of disconnections and reconnections for low income customers/members who, for a variety of reasons, are unable to pay their bills in full on time or to keep deferred payment arrangements. CTC provides an opportunity to mitigate this cycle and to reimburse the utility for what might otherwise be uncollectible expenses.

Act 141 requirements for CTC low income assistance programs

If a municipal electric utility or REC chooses to retain CTC collections to administer its own low income assistance programs, there is no specific requirement on how those funds should be allocated between bill payment assistance, weatherization, or other energy efficiency services. Municipal electric utility and REC low income assistance programs are also eligible to credit any wholesale supplier contribution and/or to be operated jointly with other municipal electric utilities or RECs.

Act 141 also does not impose any requirement that CTC low income assistance programs be subjected to a formal evaluation of cost effectiveness, nor does it specify which fuels the services can or should cover. This provides a municipal electric utility or REC with flexibility in designing its low income assistance programs. However, it is important to remember the two principles referenced earlier in the Guidebook: Is the program consistent with the *intent* of Act 141, and is there clear and credible justification for how it furthers the purpose of Public Benefits? It is also important to remember that low income designated funds must be used on programs designed for households at or below 60% of Wisconsin's SMI.

Recommended options for low income assistance programs

This section will discuss six types of efforts that may be of interest for a municipal electric utility or REC as a low income assistance CTC program. Although these program types are listed separately, the most effective low income effort will involve tying these programs together to maximize value and benefits for low income customers/members.

1. Bill Payment Assistance

If a low income person is eligible, bill assistance may be available and is paid to the household's specified energy supplier. Payments are based on income and highest annual home heating costs (i.e., the lower the income and higher the annual bill, the higher the payment). The WHEAP bill payment assistance program covers most heating fuels or sources. It does not cover payment of outstanding electric bills for non-heating purposes.

A CTC bill payment assistance program operates by relying on the same basic eligibility criteria used for WHEAP programs (other than the heating eligibility requirement). Because the federally funded program is available to municipal customers and REC members, the CTC programs could focus on reducing the non-heating burden from electric usage and/or supplementing the payment made to eligible low income persons with electric heat.

Additional bill payment assistance options may include:

- A program to prevent imminent disconnection of electric service for non-heating purposes. A low income customer/member facing disconnection due to inability to pay for service would apply for a one-time grant to avoid disconnection. A standard level of grants could be established depending on household income and annual electricity bills, with higher payments made to those with lower incomes and higher bills.
- A program to assist with re-connection of previously disconnected electric service. In both this case and the disconnection prevention program mentioned above, the customer/member could enter into a deferred payment arrangement with the utility for any remaining arrearage on their bill.
- A program to reduce the energy burden on low income customers/members. The purpose would be to try and break the cycle of disconnection-reconnection that can occur as low income customers/members are unable to pay their current bill or keep deferred payment arrangements for any variety of reasons (e.g. temporary illness). The best model for such a program is the “Percentage of Income Payment” (PIP) approach. The PIP approach calculates some percentage of income payment that is deemed reasonable for low income persons to pay for annual electric service; typically there is a sliding scale of percentages depending on household size, income, and usage. CTC funds could be used to pay the difference between the co-payment required from the customer/member under the PIP plan and actual bill. Various methods can be used to ensure that a customer/member has an incentive to conserve even though they are on a PIP plan. For example, there could be monthly credits based on an estimate of annual usage rather than attempting to limit the annual bill to some pre-specified amount.

The benefits of operating these programs through the county human and social services agencies implementing the statewide program include:

- providing “one stop” service to low income customers/members
- being able to rely on eligibility determinations under WHEAP
- increasing outreach, awareness, and referral efforts already handled through these agencies as a function of the WHEAP program

2. Weatherization Assistance Program

Similar to the bill payment assistance program, CTC weatherization programs could leverage WAP structures and contract directly with the same providers implementing the statewide program administered by DOA. In this case, eligibility would have been determined under the WHEAP program. The federal WAP program funds may be limited to certain types of activities, but the CTC programs could supplement or complement WAP efforts. Supporting the federal

WAP program will extend the funding available to the weatherization provider and allow it to serve more eligible households overall.

Examples of where CTC programs could fill weatherization program gaps include:

- Co-funding or fully funding the replacement of compact fluorescent light bulbs with light-emitting diode (LED) lighting in homes slated for the statewide weatherization program.
- Co-funding or fully funding the installation of water heating saving measures such as faucet aerators, energy efficient showerheads, refrigerators, or freezers in homes slated for participation in the statewide weatherization program.
- Funding the upgrade of equipment and appliances not currently covered under the statewide weatherization assistance program, such as window or central air conditioning units and dehumidifiers.*
- Co-funding of weatherization shell measures when the household uses window or central air conditioning. Shell measures would include insulation of attics, sidewalls, and crawlspaces. Funding these activities would help reduce the cooling load on the building, thus reducing the electric utility bill.
- Co-funding whole house weatherization efforts for customers/members in electrically heated homes.
- Co-funding whole house weatherization efforts for customers/members in non-electrically heated homes.
- Serving weatherized homes still in need of baseload reduction measures, such as appliance and air conditioning upgrades.*

*Note - the intent of Act 141 is to reduce the energy burden for low income customers/members. Historically that has meant that entities did not use low income assistance funds for central air conditioning or heat pumps. As heat pump technologies become more efficient and more appropriate for our climate, a heat pump might be a feasible solution for a household with an inefficient heating system and a history of using multiple window air conditioners in the summer. Cooling is an increasingly important issue as our climate gets warmer. The program target should always be to reduce the customer's/member's energy burden; and, strategies most suited to that end are likely to evolve in the coming years.

3. Crisis Intervention

Under WHEAP, this program element is primarily focused on heating emergencies, although there is a limited effort to address cooling emergencies (i.e. repair or loan of fans or room cooling equipment). A CTC program could supplement this effort by either funding the replacement of inefficient equipment or expanding the funds available under WHEAP for replacement, repair, or loan of equipment when an emergency occurs.

4. Arrearage Reduction/Forgiveness

The purpose of this type of program is to make energy more affordable for low income customers/members. It does so by trying to avoid the potential problem caused by a low income customer/member attempting to pay deferred payments for past due bills when they may be unable to pay for their current bill, creating a continuous cycle that may be difficult – if not impossible – to break. An arrearage forgiveness or reduction program facilitates more timely payment. If current bills are paid in a certain amount on a timely basis, some percent of arrearages for that customer/member will be forgiven. In this case, the CTC funds would be returned to the utility to cover foregone arrearage payment. This type of arrearage forgiveness could also be used in coordination with a PIP plan as discussed above.

5. Early Identification Programs (EIP)

The goal of EIP programs is to proactively help low income customers/members avoid disconnection or past-due payments. An EIP program may include budget counseling, education and information, energy assessments, efforts to have customers/members apply for Earned Income Tax credits, and referrals to other programs such as weatherization or affordable payment plans.

One of the benefits of EIP programs is using differentiated approaches to address the specific nature, frequency, and types of customers/members with payment challenges (vs standard/ one-size-fits-all approaches). These programs require utility involvement (e.g. agreeing to special payment plans), but can be effectively operated through local community organizations and agencies. EIP programs also make it possible to tie various program efforts together so that low income customers/members have easy access to all of the assistance available to them.

6. Other efficiency services, with an emphasis on rental housing

- Other types of assistance may include:
- A direct installation of electric low-cost savings measures. Typically for a low income customer/member this could include LED lighting, or energy efficient refrigerators or freezers. For customers/members with electric hot water heating, this could also include an energy efficient showerhead and faucet aerators.
- A direct install approach could be combined with a low-cost walk-through energy assessment that seeks to identify major savings opportunities. This could include the use of a wattmeter to assess electric appliance operational efficiency.
- A bulk purchase program for landlords to buy ENERGY STAR qualified appliance and lighting products at a discount for installation in low income housing.
- A partnership with other low income home rehabilitation or improvement providers to provide funds and knowledge about how to improve electric efficiency at the same time as improving building efficiency. Working with these groups and leveraging CTC funds and Community Development Block Grant (CDBG) or other funds can help improve the quality and efficiency of housing for low income persons.

Program types and electric vs. other fuel sources

Low income customers/members tend to be like other customers/members; some have fairly low electric usage and some have high electric usage. Unless a low income person heats with electricity or has high cooling costs, their main energy burden is likely to come from their gas bill or other heating energy source. As a result, some of the low income programs listed above may only be applicable to certain low income electric customers/members (e.g. bill payment plans such as PIP for high use customers/members), while others are applicable to most or all low income customers/members (e.g. preventing disconnection or allowing reconnection of electric service and other electric efficiency services). Low income multi-tenant housing is always a good, albeit often difficult, focus for low income assistance efforts.

It is up to each municipal electric utility and REC to decide whether it wishes to use its low income assistance CTC funds primarily for electric usage or to help reduce the overall energy burden on its low income customers/members. Theoretically, lowering the total energy use can help reduce monthly expenses and avoid past-due bills – including those from the electric utility.

Delivery options for low income assistance programs

Though CTC programs are delivered at the local level, it does not exclude the possibility of a standard low income assistance program from which customers/members of multiple participating municipal electric utilities or RECs would receive the same benefits or services. A standard program could increase equity across territories and allow for economies of scale.

There are no limitations on a municipal electric utility or REC about who can deliver a low income assistance CTC program. Therefore, the potential range of providers includes:

- Utility personnel
- County or local governmental agencies
- Weatherization and other non-profit community organizations
- Local contractors and firms
- Energy efficiency providers and suppliers

Partnerships with some of these providers may be critical to the success of a program, for example, county and local agencies and local weatherization providers. Even though customers/members cannot participate in both a CTC low income assistance program and DOA's statewide efforts, coordination makes it easier for the agencies and providers to effectively provide services for both while making it easier for customers/members to get the services they need and desire.

Using these governmental and local providers to deliver low income assistance programs provides three fundamental benefits to municipal electric utility and REC efforts.

1. Expertise. The county agencies and weatherization providers are experienced in the delivery of low income services and are used to working with one another.

2. Ease of coordination. These providers are the best point at which to coordinate CTC efforts with DOA statewide efforts. This can make the operation of two sets of programs fairly transparent to low income households and provide a “one stop shop” for customers/members to learn about both the local CTC programs and federally funded services available to them. Coordination can also reduce overall program administration costs and hassles.
3. Expanded resources. Using local providers can allow the CTC program to benefit from their outreach resources and existing referral structures.

By contracting with existing low income assistance providers, a utility could conduct its own CTC program without the need to hire new staff or to impose significant new work burdens on existing staff. The use of a third party administrator, discussed in the next section, would further reduce burden. Regardless of the use of other entities to deliver programs, the utility must collect, disburse, and account for CTC funds, answer program inquiries and make appropriate referrals, and actively promote the programs through bill inserts or other means.

Hiring a third-party administrator

As mentioned above, hiring a third party administrator to design and/or deliver CTC low income assistance programs can greatly reduce the burden to the utility. The utility may choose to contract directly for services with the third party and require the third party to subcontract with local providers, such as social services departments and weatherization agencies.

The primary role of a third party administrator is to coordinate or perform overall CTC program implementation duties. The administrator would also be responsible for ensuring coordination with the DOA statewide program and assisting with reporting requirements. Hiring an experienced administrator who is already familiar with the process and other service delivery parties (i.e. county social services, weatherization, and other local providers) may reduce both the cost and time of operating the CTC programs.

Act 141 also allows for joint CTC efforts among municipal electric utilities and/or RECs. Benefits of a joint program include reducing the burden on individual utilities while providing enough volume of activity to justify a third party administrator.

Expanding the role of a third party administrator to include similar responsibilities for CTC energy programs can achieve economies of scale and further relieve utility resources and staff. Third party administrator fees may be paid from CTC collections.

Accounting responsibilities

Each municipal electric utility and REC offering CTC low income assistance programs must, as part of its Annual Report to PSC, include a description of the programs and funds expended. These utilities must also report similar information to customers/members through a separate mailing on an annual basis.

Developing a tracking and accounting system for low income assistance programs allows the utility to evaluate the success of its programs and make modifications if necessary, and can also help avoid problems with determining eligibility for services (e.g. preventing “double dipping” by customers”). As noted above, these accounting and tracking responsibilities can generally be performed by a third party administrator.

Chapter 8: Developing Effective Energy Programs

Introduction

In addition to low income assistance programs, municipal electric utilities and RECs have the opportunity to develop and administer energy efficiency and/or load management CTC programs. This chapter addresses the following issues concerning the development of effective energy programs.

- The definition of “energy programs” and a description of the types of programs covered by that definition
- Designing and implementing energy programs, including special considerations
- Delivery options
- Administrative options
- Potential coordination with statewide programs
- Accounting responsibilities

What are energy programs for purposes of CTC?

“Energy programs” can be defined for CTC purposes as programs aimed at reducing the demand for natural gas or electricity or improving the efficiency of its use during any period. This definition includes two common types of programs:

1. Energy efficiency programs – Reduce electricity consumption through energy efficient technology, behavioral changes, codes and standards, etc. Specific examples of energy efficiency programs are discussed later in this chapter.
2. Load management programs – Change the daily, seasonal, or annual pattern of demand for electricity or natural gas. Most load management programs attempt to shift energy use away from peak to nonpeak times. Load management programs do not necessarily save significant energy, but they can significantly reduce customer/member, utility, and societal costs to supply and use energy.

Act 141 requirements for CTC energy programs

While there is an implicit assumption that a municipal electric utility or REC will spend retained funds on programs for residential, commercial, agricultural, institutional and industrial customers/members, there is no explicit requirement in Act 141 that a certain amount of total retained funds be spent on any specific sector. (Note: Act 141 does require that not less than 10% of statewide program spending be set aside for local units of government and agricultural producers.) One way to address this issue is to allocate funds across programs addressing each sector, if relevant.

The CTC provisions of Act 141 mandate that a municipal electric utility or REC must spend any CTC dollars retained, but do not require or prohibit a municipal electric utility from spending

more money on such programs if it wishes to do so. The sources for these additional expenditures could include funds recovered in rates or funds leveraged from other sources. For municipal utilities, voluntary conservation funds recovered through rates can only be used for energy efficiency and not load management, as those funds are formally tied to the definition of energy efficiency in Act 141, which excludes load management.

Use of CTC funds for utility efficiency improvements

The position of the Public Service Commission is that utilities should avoid using collected fees for implementing projects at utility-owned facilities, and should instead allow the funds collected to be used for customer/member projects. These utility-owned projects are better expensed through the utility's rates.

One exception concerns municipal buildings that house the city's energy manager along with various other municipal functions. If the primary purpose of the building is energy services then the above policy would apply, but if the building houses multiple municipal functions, and the city pays the electric and/or gas bills, then the municipality may participate in programs and receive incentives just as any other local government building would.

Best practices for designing effective programs

Designing energy efficiency programs is both an art and a science. Program designers must be familiar with human behavior, emerging trends in specific technologies, program options such as direct installation and rebates, trade ally landscape, marketing and education techniques, program delivery strategies, data tracking and reporting, quality control of technologies installed, and program evaluation. Each of these design elements should be understood before pursuing energy efficiency efforts to ensure the success of the programs.

The ultimate goals of an effective program should be to target projects and installations that are more efficient than what has already been widely adopted by customers/members and the market, and to offer incentives that are proportionate to the incremental energy savings gained from the more efficient equipment. If most customers/members are already purchasing a higher efficiency product due to its performance, competitive price, etc., it may not be necessary to offer a financial incentive on that technology. (Providing rebates for goods customers/members are already willing to buy is referred to as "free ridership" and will reduce the amount of energy savings that may be claimed in an Annual Report.) The funds may be better put to use toward products that haven't yet become the norm.

Seven steps of program design and delivery

The process for developing and administering successful energy programs can be summarized into seven main steps. Several of these steps are addressed in more detail throughout this section.

1. Define the program budget and goals
2. Conduct research – target markets, barriers, evaluation results of other existing efficiency program efforts, etc.
3. Determine cost-effectiveness and conduct benefit-cost (B/C) analysis of proposed program portfolio
4. Finalize program services and incentives to offer
5. Identify who will do the work
6. Develop and launch marketing plan
7. Track customer/member participation data
8. Evaluate and modify programs for continuous improvement
9. Conduct annual audit and submit Annual Report to PSC

Identifying target market segments

There are three primary target market segments: high efficiency product and equipment installations, improvements to the building shell of existing properties, and new construction design improvements.

It is important to increase customer/member awareness on the advantages of choosing high efficiency options before a project or purchase decision is made, and to influence these choices through education, services, and financial incentives when appropriate. If this opportunity is missed, the energy impacts of the customer/member choosing standard equipment or building practices may extend for years – or potentially even decades.

Barriers to energy efficiency improvements

Barriers may differ by customer/member sector, but typically include limited access to capital, risk perception (financial, technological, implementation), inconvenience, lack of good information (availability, cost, reliability), and split incentives (e.g. owner versus occupants, architects versus developers, and builders versus owners). Programs must address barriers in both design and delivery in order to maximize customer/member participation in programs.

Deciding on program services and incentives

Several examples of specific program recommendations are provided in the next chapter. However, there are several more general incentive and service approaches to consider when encouraging customers/members to participate in energy efficiency programs. These include:

- Prescriptive rebates
- Custom rebates
- Efficiency kits ordered from website or other method

- Low-cost product giveaways
- Contractor/retailer incentives
- Financing
- Audits

Prescriptive rebates

Prescriptive rebates offer a fixed rebate dollar amount for individual technologies with similar usage characteristics, such as high-efficiency lighting, motors, etc.

Custom rebates

Custom rebates are based on the energy and demand savings of technologies that are not as common as those for which prescriptive rebates are offered. For example, custom rebates may be applied to an industrial process. These rebates frequently require an analysis to determine the amount of energy and demand savings and, for that reason, may be a more costly option due to the higher costs to administer and conduct the required analyses.

Efficiency kits

Efficiency kits usually involve a third party fulfillment company or distributor and may include LEDs, smart power strips, or water saving devices (low-flow showerhead, tank wrap, and faucet aerators) in the residential sector. Educational information about the products and installation instructions should be included with each order, since customers/members will be responsible for installing all components of the kit. Although studies have shown that not all participants install what they receive, programs that have provided clear instructions and desirable products have achieved relatively high installation rates and cost-effective program outcomes.

Low-cost product giveaways

Low-cost product giveaways can be a part of an audit program or be a stand-alone promotion for a specific low-cost device (low-flow showerheads, faucet aerators, etc.). Giveaway programs can be combined with special events pertaining to energy efficiency or other utility activities. Similar to kit programs, educational materials and installation instructions should accompany the low-cost products, and the program should ensure desirable products are provided to support high installation rates among participants. .

Contractor & retailer incentives

Contractor and retailer incentives provide financial “bonuses” directly to contractors and retail suppliers instead of, or in combination with, customers/members. Contractors and retailers may promote programs more enthusiastically if they receive a monetary incentive for selling the targeted technologies or products. Program materials must be simple for the participating contractors/retailers. Education about equipment/products included in the program may be required of all contractors/retailers, especially application forms for incentives.

Financing

Positive cash flow financing, also known as shared savings, uses customer/member bill savings incurred as a result of installing energy efficiency improvements to pay back a loan made by the utility or third party. Depending on billing system capabilities, the loan payment could be included on the utility bill (on-bill financing) as an Energy Service Charge. A source of capital is required for this type of program.

Another financing option is a loan program that allows customers/members to purchase specified efficient equipment. An effective financing program can make it easier for a customer/member to actually purchase a specific measure or type of service. However, financing can be costly to administer and pose a risk to the utility from defaulted loans. It is often a better option to try and arrange a financing program through a third party.

Audits

A variety of home and business audit services may be offered to customers/members. Audits provide leads to energy saving opportunities. Residential energy audits, for example, may point to the need for insulation or improved lighting, for which you could offer rebates. One major disadvantage to providing free audit services is that customers/members take advantage of the opportunity to receive an audit at no cost to them (which can be expensive for the utility to administer), but few implement the recommended measures. Energy efficiency programs are increasingly making virtual audits available to customers/members; virtual methods may introduce some limitations to audit rigor, but can reduce cost compared to an in-person audit, leverage technology already available to many customers/members, and reduce exposure risk related to health and safety.

Advantages & disadvantages of program/incentive options

| Option | Advantages | Disadvantages |
|---------------------------------------|---|---|
| Prescriptive rebates | <ul style="list-style-type: none"> - Easy to determine eligibility - Easily understood by trade allies - Low administration costs - Simple program tracking | <ul style="list-style-type: none"> - Limited technologies lend themselves to prescriptive rebates - Need to justify amount of energy savings to value of rebate |
| Custom rebates | <ul style="list-style-type: none"> - Incentives based on calculated or actual energy savings - No limit on qualifying technologies - Assured cost effectiveness - Maximum flexibility | <ul style="list-style-type: none"> - Difficult to promote some technologies - Tracking system more complicated - More costly administration - Requires complicated analysis and savings calculations |
| Efficiency kits | <ul style="list-style-type: none"> - Performed by outside contractor - Customer convenience - Bulk purchasing lowers costs - Easy to change product offers | <ul style="list-style-type: none"> - Non-utility staff working with your customers - Potential shipping damage - Ordering does not ensure actual or correct installation |
| Low-cost product giveaways | <ul style="list-style-type: none"> - Customer satisfaction - May be less costly than expensive promotions - May lead to participation in other efficiency programs | <ul style="list-style-type: none"> - Does not ensure actual or correct installation - Potential shipping damage |
| Contractor/retailer incentives | <ul style="list-style-type: none"> - Enthusiastic promotion of products by contractors/retailers - Easy to administer - Cost of processing rebates reduced - Minimal promotion costs | <ul style="list-style-type: none"> - Potential for “hard sell,” resulting in alienated customers - Sales message may be incomplete or inaccurate - Customer does not receive incentives directly - Minimal utility interaction with customers |
| Financing | <ul style="list-style-type: none"> - No up-front capital required of customer (easy to sell) - Flexibility - Easy to bundle technologies - High customer satisfaction | <ul style="list-style-type: none"> - High cost to administer - Source of sponsor capital needed - Longer term risk - Longer term administration |
| Audits | <ul style="list-style-type: none"> - Identifies multiple efficiency opportunities in home/business - Educates customer about energy efficiency - New remote audits possible | <ul style="list-style-type: none"> - Costly service to provide - Actual project implementation rates tend to be very low |

Identifying who will do the work

There are a variety of people and/or organizations that can be involved in the delivery of energy efficiency programs. Delivery options are not mutually exclusive, as most energy efficiency programs employ a combination of methods. A description of each follows.

Utility personnel

A utility can hire personnel to deliver energy efficiency programs to customers/members. This person or team would be required to design and implement programs for customers/members, including being responsible for program marketing/promotion, customer/member contacts, performing home/business energy audits, working with local trade allies and retailers, maintaining a program database for tracking, and initiating quality control of installations.

Energy service companies

Energy service companies provide turn-key program delivery on a contract basis and report directly to the utility program manager. They often deliver services to the residential, commercial, and industrial customer/member sectors. Program success is greater when an energy service company selected uses local labor, trade allies, and equipment/product suppliers in the installation of demand-side measures.

Trade allies

Trade allies – heating, cooling, plumbing, insulation, remodeling contractors, etc. – play a vital role in the success of energy efficiency programs. They supply equipment/product, promote the program, and install program measures. It is important that trade allies understand the details of the program from eligibility to targeted technologies to the incentive application process. A trade ally program guide is an excellent way to provide information to trade allies.

Eligible equipment, products, and services should be communicated to trade allies well in advance of the program marketing to allow for ordering and stocking of appropriate equipment. Education and training should be provided to trade allies and the processes required of them should be clear and simple.

Retailers

Retailers, such as hardware or appliance stores, are a critical component of any demand-side program effort. Customers/members will purchase some of the efficiency products being promoted through the CTC programs at retail stores. For this reason, store employees and salespeople may require training about unfamiliar products, assistance with displays, program information, and energy education information.

Volunteers and/or students

Volunteers and students can provide promotion for the programs through speaking engagements, door-to-door soliciting, marketing, and providing energy education to community residents through event planning and energy education in schools. Due to liability concerns and lack of expertise, volunteers and students are typically not the best fit for audit programs.

Civic groups

Civic groups can participate in program marketing, energy education of their members, and fundraising activities through program participation by their members. For example, civic groups can sell low-cost efficiency kits to community residents with a portion of the sale being donated to the organization.

Developing a marketing plan

Marketing techniques entail advertising and promoting your energy efficiency program. They are varied both in delivery strategies and costs, as different customers/members respond to different marketing messages/materials and different program types lend themselves to specific marketing strategies. For example, a rebate program is typically marketed through direct mail, email, web page, social media, and retailers/trade allies. A list of common marketing strategies is provided below. In addition, program types and relative costs are specified for each marketing strategy.

| Marketing Strategy | Program Types | Relative Costs |
|---------------------------|----------------------|-----------------------|
| Direct Mail | All | Low |
| Brochures | All | Medium |
| Radio | Information | Medium |
| Television | Information | High |
| Billboard | Information | High |
| Customer Workshops | Customer Education | Medium |
| Trade Allies | Rebate | Low |
| Retailers | Rebate | Low |
| Word-of-Mouth | Shared Savings | Low |
| Print Media | All | Medium |
| Events | All | Medium |
| Webinars | All | Low |
| Video | All | Medium |
| Social Media | All | Low |
| Web Page | All | Low |

Energy education can also be a valuable means to promote increased energy efficiency. These efforts range from energy savings tips included in the marketing approaches discussed above, to offering programs for energy efficiency education in local schools. Providing effective energy education can not only increase customer/member knowledge and impact their behaviors, but it may also increase their participation in the efficiency programs offered by the utility.

Tracking customer/member participation data

Tracking and reporting program results can help identify ways to increase participation, make processes and procedures easier, and determine whether efforts have been successful in achieving energy savings. This information will also be used to prepare Annual Reports to the PSC and/or DOA. The following is a list of typical data elements for tracking and reporting:

1. Customer/member information (name, address, phone number, account number, and date of service delivery and/or installation)
2. Efficiency measures installed
3. Other measures identified but not installed (if applicable)
4. Cost of measures installed
5. Contractor installing measures
6. Incentives paid to customer/member/contractor
7. Quality control of installations (date performed and results)
8. Customer/member follow-up required
9. Energy savings from measure installed

Chapter 4 of this Guidebook further explains the annual audit and reporting requirements related to CTC programs.

Evaluating program effectiveness

Evaluation methods may be simple or complex and include participant surveys, focus groups, billing analysis, etc. For small electric utilities with limited resources, formal evaluation should be minimal but include an assessment of whether program efforts could be credited with measurable energy savings, the success of marketing efforts, and perceptions of the program by customers/members and participating contractors. For example, if multiple marketing methods were employed in the program, which one attracted the most participants to the program? How easy or difficult was the incentive application, and was payment prompt to customers/members and/or dealers?

“Pursuant to Wis. Stat. 196.374(7)(b), the purpose of the CTC program is to “achieve environmentally sound and adequate energy supplies at reasonable cost.” Common ways to ensure this purpose is achieved at reasonable cost include maintaining sound financial controls and CTC budget management.

During program design, the utility will want to set a total budget with allocations for administration, marketing, implementation, etc. In general, incentives account for approximately 60% or more of the budget allocation, depending on the specific initiative and program design. Labor and material expenditure may be required for some programs, and administration costs typically account for the smallest budget allocation.

Cost effectiveness tests are commonly used to evaluate the cost effectiveness of utility energy efficiency programs throughout the United States. At a minimum, programs are typically

expected to achieve 1:1 benefits and costs, though this ratio is often significantly higher for energy efficiency programs (i.e. benefits significantly exceed the costs). Act 141 does not require cost effectiveness evaluation for CTC programs by the offering utility or third party. However, utilities offering CTC programs may wish to voluntarily evaluate cost effectiveness with internal staff resources, by using a third party, or leveraging calculators developed by PSC staff. For more information about PSC tools for cost effectiveness evaluation contact Mitch Horrie at 608.267.3206 or mitch.horrie@wisconsin.gov.

Special considerations in program design

Customer/member behavior

Experienced program designers recognize that customers/members are rarely interested in energy efficiency products and services for the energy benefits alone. It is often the non-energy benefits that drive customers/members to make efficiency improvements.

Residential customers/members want homes that are comfortable, safe, and durable. They choose products based on features, cost, ease of use and reliability. One example of how to influence purchase of a new clothes washer is to highlight how ENERGY STAR qualified models are gentler on clothes and spin at higher speeds to remove water, which means they need to spend less time in the dryer. Commercial customers/members are strongly driven by improvements in productivity and increasing profitability. Demonstrating how a particular high efficiency technology can improve the bottom line will be much more persuasive than simply providing estimates of how they could “save kWh.”

When attempting to overcome the possible barrier of higher cost for more efficient products, it is helpful to share with customers/members that the item actually carries two price tags – the initial purchase price and the cost of operating the product over its lifetime. Efficiency improvements often save the customer/member substantially more in operating costs over time than the up-front incremental cost of the purchase or project.

Customers/members can also be more easily persuaded toward a certain choice if they know it has already been the choice of many of their peers. Providing case studies on the success of real-life project implementations or sharing customer/member testimonials may be an effective marketing approach for influencing decision-makers.

The common thread in successfully acknowledging and addressing trends in customer/member behavior is to provide sufficient information that is accurate, unbiased, and addresses their individual priorities.

Addressing large customers/members

Programs for large customers/members are often distinct from programs for small customers/members. Sophisticated, large customers/members typically have in-house experts to assist them in evaluating energy efficiency improvements and deciding whether to pursue an energy efficiency project. The basis for decisions is often return on investment, or payback.

Some firms only pursue an energy efficiency improvement if payback occurs within a specified period of time.

Large, sophisticated businesses are likely to have a multi-tier decision making process within the company, and they are likely to have clear ideas of the type of assistance they would like from the utility. Generally, programs customized to their particular needs will be of more interest to large business than standardized programs intended to address broad commercial and industrial markets (with some exception, e.g. measures like electric motors). For these reasons, a municipal electric utility or REC may wish to customize program offerings for large customers/members or consider contracting with an energy service organization to administer programs for large customers/members.

Resource acquisition vs. market transformation

Energy efficiency programs are typically classified as either “market transformation” programs or as “resource acquisition” programs. The distinction between these two types of programs is that market transformation focuses on changing market behavior and structure in a manner that is designed to have sustained effects, while resource acquisition programs aim for more immediate achievement of quantifiable energy savings rather than systematically trying to change market behaviors over the long term.

Resource acquisition may lead to market transformation and both may play a role in successful energy efficiency programs. For example, a utility may offer customer/member rebates on LEDs (resource acquisition) and, over time, the effects are that manufacturers produce a greater market share of LEDs, retailers stock more of the efficient bulbs, prices drop, and customers/members are motivated to buy them for their increasingly competitive prices and longer life rather than the rebates (market transformation).

Some of the most successful market transformation efforts have been the result of large-scale resource acquisition efforts, and both may be considered when designing CTC programs.

Chapter 9: Potential Energy Efficiency Program Options

Introduction

Effective energy efficiency programs are based on an understanding of the specific market and customer/member niche that is being targeted, and employ appropriate resources and experience in program administration and implementation. This section outlines potential programs by customer/member class that a municipal electric utility or REC might want to consider as part of their CTC program portfolio.

In addition to this outline, utilities planning or managing a CTC energy efficiency program can benefit from reviewing the types of residential and business programs and measures offered by Focus. Focus offerings change periodically, and utilities can request a list of current Focus measures from the Focus Program Administrator and view current commercial, industrial, and agricultural program catalogs at www.focusonenergy.com. Note that Focus measures and their savings values are updated annually (see TRM reference in Chapter 6). For more information, contact Mitch Horrie at 608.267.3206 or mitch.horrie@wisconsin.gov.

Residential

Residential customers/members have fairly standard end-uses in new construction and retrofit markets. Useful programs may include:

1. An ENERGY STAR program to encourage the purchase of high efficiency lighting and/or appliances, working through local retailers to offer marketing assistance and co-promote programs. CTC programs can include and promote appliances with both energy and water saving opportunities, such as clothes washers.
2. An appliance recycling program for secondary, working refrigerators, freezers, room AC units, etc.
3. Rebates for high efficiency mechanical equipment above the baseline. Technology advancements in water heating and space heating and cooling equipment should be monitored to inform program offerings, e.g. heat pump water heaters and cold climate electric air source heat pumps.
4. “Whole house” assessments for electrically heated homes with performance testing and incentives (e.g. for envelope improvements and/or equipment) to encourage project completion.
5. Energy education, such as a program that focuses on incorporating energy efficiency and/or renewable energy curriculum in local schools.

6. A program directed at multi-tenant housing, which could address common areas and individual tenant units.
7. Behavioral programs with or without rebates for smart technologies, e.g. smart thermostats.

Small to Medium Commercial

The small to medium commercial segments include several different types of businesses that can range from a small office with end uses and usage similar to a residential customer/member, to restaurants, hotels/motels and grocery stores that have more specialized needs. Therefore, in designing a program for this segment it is necessary to consider the different mix of businesses in your community and to develop programs that respond to their needs. Following is a list of programs that could provide benefits to small and medium businesses in your service territory.

1. Energy assessments to focus on lighting, cooling, and electric water heating savings with potential for fuel switching
2. Incentives for the purchase of high efficiency equipment such as lighting, electric motors, cooling equipment including chillers and refrigeration
3. Promotion to encourage installation of LED exit signs in businesses

Incentives for equipment that meets the needs of significant commercial segments, e.g. griddles, ovens, ventilation/hoods for restaurants

4. Services to help builders, architects, etc. plan and build more energy efficient retail outlets or office space

Large commercial and industrial

A municipal electric utility or REC is typically better off customizing its services to large businesses (in consultation with the customer/member) due to the variety of end uses and different decision-making criteria they use. Still, there are some standard types of programs that have proven useful and successful for large entities. They include:

1. Incentives towards the purchase and installation of high efficiency LED lighting.
2. Incentives for high efficiency motor replacements.
3. Assistance with research regarding the feasibility of an energy efficiency improvement including expansion or new construction, such as a grant toward the cost of completing a study.

4. Strategic Energy Management (SEM) in environments where the utility has energy advising resources to work with customers/members.

Agricultural

Some of the best program opportunities for reaching agricultural customers/members include:

1. Energy assessments that include the agricultural business and also the farm's homestead. Combining an assessment of these two distinct buildings can maximize value to the customer/member.
2. Incentives for multiple efficiency improvements such as motor replacement, plate coolers, lighting, large ceiling fans, and potentially a wiring upgrade (which should be evaluated first).
3. In service territories with significant farm concentrations, a program that works with builders and others (such as local equipment retailers, lighting contractors, electricians, milking equipment dealers) to design and build high efficiency barns as well as to promote the initial installation of high efficiency equipment could be an effective "lost opportunities" program.

Institutional

Municipal buildings and schools are often in need of funds to modernize and increase efficiency. Reducing the electricity usage in these facilities can help reduce the amount of taxpayer funding needed to pay for energy bills, which benefits all in the community.

Examples of effective institutional programs may include the installation/subsidy of LED traffic signals or efficiency improvements made at wastewater treatment facilities.

Renewable Energy

Although CTC funds are designated for energy efficiency and/or load management programs, municipal utilities and RECs may decide to supplement their CTC program portfolio with voluntary renewable energy offerings. A program for customer/member-side renewable energy systems may include educational resources, discounts on site assessments by a qualified renewable energy assessor, and grants to help offset the cost of doing a feasibility study for the project. Depending on the type of system, estimated installation cost, and the budget, utilities may also wish to offer incentives to pay a portion of the project cost.

Program Examples

| Sector | Technology | Measures to Target |
|--------------------|--------------------------------|--|
| Residential | Lighting/Other | <ul style="list-style-type: none"> - ENERGY STAR LED lighting (bulbs, downlights, decorative, track, exterior) - ES qualified light fixtures - ES qualified ceiling fans with lighting - LED holiday lights - LED exit signs (multifamily) - Occupancy sensors (multifamily) - Smart Strips |
| | Appliances | <ul style="list-style-type: none"> - ENERGY STAR rated clothes washers, clothes dryers, dishwashers, refrigerators - Appliance turn-in for 2nd working refrigerator/freezer - High efficiency induction range/cooktop |
| | Water Heating | <ul style="list-style-type: none"> - High efficiency electric resistance water heater - Heat pump water heater - Solar water heater - Tankless water heater - Energy efficient showerheads, faucet aerators - Load control |
| | HVAC | <ul style="list-style-type: none"> - High efficiency central AC - High efficiency heating system with “ECM” motor - High efficiency air source heat pump - Geothermal heat pump - Smart Thermostats - Load control |
| | Building Shell (electric heat) | <ul style="list-style-type: none"> - Insulation: attic, wall, foundation, sill box, etc. - Air sealing - Assessments with recommendations & rebates for making improvements |

| Sector | Technology | Measures to Target |
|------------------------------------|-------------------------|---|
| Commercial & Industrial | Lighting | <ul style="list-style-type: none"> - LED High Performance Troffer - LED Linear Ambient Fixture - LED Retrofit of 8' fixtures - LED High Bay and Low Bay lighting - LED Omnidirectional or Decorative Lamps - LED Track and Accent Fixtures - Exterior LED Area Lights and Retrofits - LED Bulbs to replace CFL or incandescent bulbs - Occupancy sensors |
| | HVAC | <ul style="list-style-type: none"> - High efficiency central AC (rooftop, PTAC, split systems) - Furnace with "ECM" - Energy Recovery Ventilator - Geothermal heat pumps |
| | Other | <ul style="list-style-type: none"> - High efficiency chillers - Variable frequency drives - High efficiency electric motors - High efficiency food service equipment - High efficiency washing equipment - ENERGY STAR vending machines/controls - LED lighting in refrigerator cases - High efficiency ventilation equipment - Assessments with recommendations and rebates for making improvements |
| Agricultural | Lighting | <ul style="list-style-type: none"> - Upgrade to high efficiency fixtures - LED High Bay or Low Bay lighting - LED Fixtures - LED High Performance Troffer - Tubular LEDs |
| | Ventilation Equipment | <ul style="list-style-type: none"> - Large high volume-low speed fan - Ventilation/exhaust fan - Circulation fan |
| | Space Heating Equipment | <ul style="list-style-type: none"> - High efficiency Boiler - High efficiency furnace - High efficiency radiant heating - High efficiency Unit Heater |

| Sector | Technology | Measures to Target |
|------------------------------|--|---|
| | Other | <ul style="list-style-type: none"> - Low energy livestock waterer - High efficiency water heater - High efficiency milking equipment - Milk pre-cooler - Variable speed controller for vacuum pump - Heat recovery tank - Assessments with recommendations and rebates for making improvements |
| Renewable Energy | Customers-sited: residential or business | <ul style="list-style-type: none"> - Discounts on site assessments/installations - Photovoltaics (solar electric systems) - Wind systems - Solar water heating - Biomass/biogas |
| Education & Misc. | Various | <ul style="list-style-type: none"> - Scholarships for teachers to attend K-12 Energy Education Program (KEEP) classes - Scholarships for business customers to attend energy management courses - Consumer energy education workshops - Marketing support - Sponsorship and/or coordination of an energy fair - Service buy-down grants for maintenance on select equipment |

Appendices

Appendix A: Example calculations for establishing a CTC fee for various classes and for a customer/member bill

Appendix B: Annual Report Template

Appendix C: Audit Work Plan

Appendix D: Sample “CTC-1” Informational Tariffs on CTC Fees for Filing with the PSC

Appendix E: Technical Resource Manual (TRM)

Appendix F: 2005 Wisconsin Act 141 & PSC Chapter 137

Appendix G: Using the PSC Electronic Regulatory Filing System

Appendix H: Commonly Asked Questions

APPENDIX A: Example Calculation of Establishing a CTC fee for Various Classes and for a Customer/Member Bill

PSC staff have created an Excel worksheet that utilities can use to estimate the total CTC collection requirements, and estimate CTC collections by customer/member class using high-level data provided in their Annual Reports. This appendix provides instructions for using the Excel template as well as sample outputs from the three CTC collection options (Fixed Fee, Percentage of Bill, and \$/kWh).

Instructions for using the Excel template:

1. Enter "Avg. Number of Customers" from Annual Report, or rate application, submitted to the PSC in cells B16:B21 (data will be automatically pulled into cells B27:B31)
2. Enter "Sales of Electricity by Rate Schedule" (kWh/year) from Annual Report, or rate application, submitted to the PSC in cells C16:C21 (data will be automatically pulled into cells C26:C31)
3. Enter "Sales of Electricity by Rate Schedule" ("Tariff Revenue") from Annual Report, or rate application, submitted to the PSC in cells D16:D21 (revenue for test year under current rates)
4. Select one of three CTC collection options for each customer class in cells G16:G21 and the corresponding CTC collection factor in cells H16:H21 (these are the current CTC rates)
5. Select one of three CTC collection limit options for each customer class in cells K16:K21 and the corresponding CTC limit value in cells L16:L21 (these are the current CTC rates)
6. Repeat steps 3-5 to populate the yellow cells for "Proposed CTC Collections" in rows 27-32.
7. Adjust the CTC collection factors in cells H27:H32 and limits in cells L27:L32 so that the average CTC collections (\$/customer) in cell B34 is as close to \$16 as possible
8. Submit this worksheet to PSC staff as part of the rate application (if applicable)
9. Review CTC collection estimates for different customer types in the table below (Cells A51:G76)

CTC Estimate Workbook (double click to open):



Alternative access to CTC Estimate Workbook: <https://apps.psc.wi.gov/CTCcompliance.html>

PSC Annual Report Data: <https://apps.psc.wi.gov/ARS/AnnualReports/default.aspx>

Examples of CTC collection methods

The Percent of Bill example compares hypothetical CTC collections for a utility that uses a 3% collection rate for all customer/member classes with the monthly limit also set at 3% of a customer's/member's total bill. The example uses adjusted percentages and \$/month limits to

produce an average CTC collection rate that is closer to \$16/customer. Tables C-1 and C-2 summarize this example from a class-wide (Table C-1) and individual customer (Table C-2) perspective.

The fixed rate example performs the same comparison using different \$/month CTC collection factors and limits summarized in tables C-3 (class wide totals) and C-4 (individual customers). The \$/kWh example is summarized in Tables C-5 (class wide totals) and C-6 (individual customers). These examples illustrate the different CTC collection methods and highlight the importance of setting appropriate CTC collection factors and limits to prevent over-collection.

Table A-1: Class wide CTC Collection Estimates Using the Percentage of Bill Option

| Rate Class | Residential | Small Business | Small C&I | Medium C&I | Large C&I | Total |
|--|-------------|----------------|-----------|------------|-------------|----------------|
| Total Customers | 1,000 | 200 | 20 | 6 | 2 | 1,228 |
| kWh/year | 10,000,000 | 5,000,000 | 1,200,000 | 3,600,000 | 12,000,000 | 31,800,000 |
| Revenue \$/year | \$1,010,000 | \$502,000 | \$425,267 | \$622,163 | \$1,213,551 | \$3,772,981 |
| CTC Requirement | \$16,000 | \$3,200 | \$320 | \$96 | \$32 | \$19,648 |
| Avg. Bill \$/month | \$84 | \$209 | \$1,772 | \$8,641 | \$50,565 | |
| Current CTC Collection (3% of monthly bill with Act 141 limits of 3% or \$750/mo) | | | | | | |
| \$/Customer-mo | \$2.53 | \$6.28 | \$53.16 | \$259.23 | \$750.00 | |
| \$/Customer-year | \$30.30 | \$75.30 | \$637.90 | \$3,110.82 | \$9,000.00 | |
| Class Total | \$30,300 | \$15,060 | \$12,758 | \$18,665 | \$18,000 | \$94,783 |
| Over/Under | \$14,300 | \$11,860 | \$12,438 | \$18,569 | \$17,968 | \$75,135 |
| % of Bill Charges | 3.00% | 3.00% | 3.00% | 3.00% | 1.48% | 2.51% |
| Avg. \$/Customer | | | | | | \$77.18 |
| Proposed CTC Collection | | | | | | |
| % of Bill | 0.50% | 0.50% | 0.50% | 0.50% | 3.00% | |
| Limit \$/mo | \$1.33 | \$2.50 | \$25.00 | \$50.00 | \$100.00 | |
| \$/Customer-mo | \$0.42 | \$1.05 | \$25.00 | \$50.00 | \$100.00 | |
| \$/Customer-year | \$5.05 | \$12.55 | \$300.00 | \$600.00 | \$1,200.00 | |
| Class Total | \$5,050 | \$2,510 | \$6,000 | \$3,600 | \$2,400 | \$19,560 |
| Over/Under | -\$10,950 | -\$690 | \$5,680 | \$3,504 | \$2,368 | -\$88 |
| % of Bill Charges | 0.50% | 0.50% | 1.41% | 0.58% | 0.20% | 0.52% |
| Avg. \$/Customer | | | | | | \$15.93 |

Table A-2: CTC Collection Estimates for Individual Customers Using the Percentage of Bill Option

| Customer Type | Small RES | Avg. RES | High RES | Small C&I | Medium C&I | Large C&I |
|---|-----------|-----------|-----------|-----------|------------|-------------|
| Monthly Energy Costs | | | | | | |
| Fixed Charge (\$/mo) | \$10 | \$10 | \$10 | \$25 | \$50 | \$200 |
| Monthly kWh | 250 | 750 | 1,500 | 5,000 | 50,000 | 500,000 |
| Energy \$/kWh | \$0.10 | \$0.10 | \$0.10 | \$0.08 | \$0.07 | \$0.06 |
| Energy Charge | \$25 | \$75 | \$150 | \$400 | \$3,500 | \$30,000 |
| Demand (kW) | - | - | - | 50 | 200 | 1,000 |
| Demand \$/kW | - | - | - | \$8 | \$10 | \$12 |
| Demand Charge | - | - | - | \$400 | \$2,000 | \$12,000 |
| Total Pre-Tax | \$35 | \$85 | \$160 | \$825 | \$5,550 | \$42,200 |
| WI Sales Tax (5.5%) | \$1.93 | \$4.68 | \$8.80 | \$45.38 | \$305.25 | \$2,321.00 |
| CTC Interim Calculations | | | | | | |
| CTC Method | % of Bill | % of Bill |
| CTC Factor | 0.50% | 0.50% | 0.50% | 3.00% | 3.00% | 3.00% |
| CTC Limit Type | \$/month | \$/month | \$/month | \$/month | \$/month | \$/month |
| CTC Limit | \$1.33 | \$1.33 | \$1.33 | \$25.00 | \$50.00 | \$100.00 |
| CTC w/out Limit | \$0.18 | \$0.43 | \$0.80 | \$24.75 | \$166.50 | \$1,266.00 |
| CTC Collection w/ Monthly Limits | | | | | | |
| CTC w/ Limit | \$0.18 | \$0.43 | \$0.80 | \$24.75 | \$50.00 | \$100.00 |
| % of Pre-Tax Charge | 0.50% | 0.50% | 0.50% | 3.00% | 0.90% | 0.24% |
| Meets Act 141 Limits? | Yes | Yes | Yes | Yes | Yes | Yes |
| Summary of Total Bill Charges | | | | | | |
| Pre-Tax Charges | \$35.00 | \$85.00 | \$160.00 | \$825.00 | \$5,550.00 | \$42,200.00 |
| WI Sales Tax | \$1.93 | \$4.68 | \$8.80 | \$45.38 | \$305.25 | \$2,321.00 |
| CTC Charges | \$0.18 | \$0.43 | \$0.80 | \$24.75 | \$50.00 | \$100.00 |
| Total Bill Charges | \$37.10 | \$90.10 | \$169.60 | \$895.13 | \$5,905.25 | \$44,621.00 |

Note that the 3% CTC collection factor results in substantial over collection when \$/month limits are not incorporated. Reducing the CTC collection factor to 0.50% for all classes except CP-3 (large industrial) along with \$/month limits reduces the average CTC collection from \$77.18/customer to \$15.93/customer.

Table A-3: Class wide CTC Collection Estimates Using the Fixed Charge Option

| Rate Class | Residential | Small Business | Small C&I | Medium C&I | Large C&I | Total |
|--|-------------|----------------|-----------|------------|-------------|----------------|
| Total Customers | 1,000 | 200 | 20 | 6 | 2 | 1,228 |
| kWh/year | 10,000,000 | 5,000,000 | 1,200,000 | 3,600,000 | 12,000,000 | 31,800,000 |
| Revenue \$/year | \$1,010,000 | \$502,000 | \$425,267 | \$622,163 | \$1,213,551 | \$3,772,981 |
| CTC Requirement | \$16,000 | \$3,200 | \$320 | \$96 | \$32 | \$19,648 |
| Avg. Bill \$/month | \$84 | \$209 | \$1,772 | \$8,641 | \$50,565 | |
| Current CTC Collection (3% of monthly bill with a limit of 3% or \$750) | | | | | | |
| \$/Customer-mo | \$1.33 | \$1.33 | \$10.00 | \$25.00 | \$50.00 | |
| \$/Customer-year | \$15.96 | \$15.96 | \$120.00 | \$300.00 | \$600.00 | |
| Class Total | \$15,960 | \$3,192 | \$2,400 | \$1,800 | \$1,200 | \$24,552 |
| Over/Under | -\$40 | -\$8 | \$2,080 | \$1,704 | \$1,168 | \$4,904 |
| % of Bill Charges | 1.58% | 0.64% | 0.56% | 0.29% | 0.10% | 0.65% |
| Avg. \$/Customer | | | | | | \$19.99 |
| Proposed CTC Collection | | | | | | |
| \$/month | \$1.00 | \$1.00 | \$1.00 | \$1.00 | \$10.00 | |
| Limit \$/mo | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | |
| \$/Customer-mo | \$1.00 | \$1.00 | \$10.00 | \$25.00 | \$50.00 | |
| \$/Customer-year | \$12.00 | \$12.00 | \$120.00 | \$300.00 | \$600.00 | |
| Class Total | \$12,000 | \$2,400 | \$2,400 | \$1,800 | \$1,200 | \$19,800 |
| Over/Under | -\$4,000 | -\$800 | \$2,080 | \$1,704 | \$1,168 | \$152 |
| % of Bill Charges | 1.19% | 0.48% | 0.56% | 0.29% | 0.10% | 0.52% |
| Avg. \$/Customer | | | | | | \$16.12 |

Table A-4: CTC Collection Estimates for Individual Customers Using the Fixed Charge Option

| Customer Type | Small RES | Avg. RES | High RES | Small C&I | Medium C&I | Large C&I |
|---|-----------|-----------|-----------|-----------|------------|-------------|
| Monthly Energy Costs | | | | | | |
| Fixed Charge (\$/mo) | \$10 | \$10 | \$10 | \$25 | \$50 | \$200 |
| Monthly kWh | 250 | 750 | 1,500 | 5,000 | 50,000 | 500,000 |
| Energy \$/kWh | \$0.10 | \$0.10 | \$0.10 | \$0.08 | \$0.07 | \$0.06 |
| Energy Charge | \$25 | \$75 | \$150 | \$400 | \$3,500 | \$30,000 |
| Demand (kW) | - | - | - | 50 | 200 | 1,000 |
| Demand \$/kW | - | - | - | \$8 | \$10 | \$12 |
| Demand Charge | - | - | - | \$400 | \$2,000 | \$12,000 |
| Total Pre-Tax | \$35 | \$85 | \$160 | \$825 | \$5,550 | \$42,200 |
| WI Sales Tax (5.5%) | \$1.93 | \$4.68 | \$8.80 | \$45.38 | \$305.25 | \$2,321.00 |
| CTC Interim Calculations | | | | | | |
| CTC Method | \$/month | \$/month | \$/month | \$/month | \$/month | \$/month |
| CTC Factor | \$1.00 | \$1.00 | \$1.00 | \$10.00 | \$25.00 | \$50.00 |
| CTC Limit Type | % of Bill | % of Bill |
| CTC Limit | \$1.05 | \$2.55 | \$4.80 | \$24.75 | \$166.50 | \$1,266.00 |
| CTC w/out Limit | \$1.00 | \$1.00 | \$1.00 | \$10.00 | \$25.00 | \$50.00 |
| CTC Collection w/ Monthly Limits | | | | | | |
| CTC w/ Limit | \$1.00 | \$1.00 | \$1.00 | \$10.00 | \$25.00 | \$50.00 |
| % of Pre-Tax Charge | 2.86% | 1.18% | 0.63% | 1.21% | 0.45% | 0.12% |
| Meets Act 141 Limits? | Yes | Yes | Yes | Yes | Yes | Yes |
| Summary of Total Bill Charges | | | | | | |
| Pre-Tax Charges | \$35.00 | \$85.00 | \$160.00 | \$825.00 | \$5,550.00 | \$42,200.00 |
| WI Sales Tax | \$1.93 | \$4.68 | \$8.80 | \$45.38 | \$305.25 | \$2,321.00 |
| CTC Charges | \$1.00 | \$1.00 | \$1.00 | \$10.00 | \$25.00 | \$50.00 |
| Total Bill Charges | \$37.93 | \$90.68 | \$169.80 | \$880.38 | \$5,880.25 | \$44,571.00 |

These examples show the importance of setting the \$/month CTC collection rate for each class at levels that will achieve the \$16/customer average collection amount. Note the \$/month rate

for residential and small business is set at \$1/month to offset the higher rates for small, medium and large C&I customers.

Table A-5: Class wide CTC Collection Estimates Using the \$/kWh Option

| Rate Class | Residential | Small Business | Small C&I | Medium C&I | Large C&I | Total |
|--|-------------|----------------|-----------|------------|-------------|----------------|
| Total Customers | 1,000 | 200 | 20 | 6 | 2 | 1,228 |
| kWh/year | 10,000,000 | 5,000,000 | 1,200,000 | 3,600,000 | 12,000,000 | 31,800,000 |
| Revenue \$/year | \$1,010,000 | \$502,000 | \$425,267 | \$622,163 | \$1,213,551 | \$3,772,981 |
| CTC Requirement | \$16,000 | \$3,200 | \$320 | \$96 | \$32 | \$19,648 |
| Avg. Bill \$/month | \$84 | \$209 | \$1,772 | \$8,641 | \$50,565 | |
| Current CTC Collection (\$0.0015/kWh with a limit of 3% or \$750) | | | | | | |
| \$/Customer-mo | \$1.25 | \$3.13 | \$7.50 | \$75.00 | \$750.00 | |
| \$/Customer-year | \$15.00 | \$37.50 | \$90.00 | \$900.00 | \$9,000.00 | |
| Class Total | \$15,000 | \$7,500 | \$1,800 | \$5,400 | \$18,000 | \$47,700 |
| Over/Under | -\$1,000 | \$4,300 | \$1,480 | \$5,304 | \$17,968 | \$28,052 |
| % of Bill Charges | 1.49% | 1.49% | 0.42% | 0.87% | 1.48% | 1.26% |
| Avg. \$/Customer | | | | | | \$38.84 |
| Proposed CTC Collection | | | | | | |
| \$/kWh | \$0.0010 | \$0.0010 | \$0.0010 | \$0.0010 | \$0.0015 | |
| Limit \$/mo | 3.00% | 3.00% | \$10.00 | \$25.00 | \$50.00 | |
| \$/Customer-mo | \$0.83 | \$2.08 | \$7.50 | \$25.00 | \$50.00 | |
| \$/Customer-year | \$10.00 | \$25.00 | \$90.00 | \$300.00 | \$600.00 | |
| Class Total | \$10,000 | \$5,000 | \$1,800 | \$1,800 | \$1,200 | \$19,800 |
| Over/Under | -\$6,000 | \$1,800 | \$1,480 | \$1,704 | \$1,168 | \$152 |
| % of Bill Charges | 0.99% | 1.00% | 0.42% | 0.29% | 0.10% | 0.52% |
| Avg. \$/Customer | | | | | | \$16.12 |

Table A-6: CTC Collection Estimates for Individual Customers Using the \$/kWh Option

| Customer Type | Small RES | Avg. RES | High RES | Small C&I | Medium C&I | Large C&I |
|---|-----------|-----------|-----------|-----------|------------|-------------|
| Monthly Energy Costs | | | | | | |
| Fixed Charge (\$/mo) | \$10 | \$10 | \$10 | \$25 | \$50 | \$200 |
| Monthly kWh | 250 | 750 | 1,500 | 5,000 | 50,000 | 500,000 |
| Energy \$/kWh | \$0.10 | \$0.10 | \$0.10 | \$0.08 | \$0.07 | \$0.06 |
| Energy Charge | \$25 | \$75 | \$150 | \$400 | \$3,500 | \$30,000 |
| Demand (kW) | - | - | - | 50 | 200 | 1,000 |
| Demand \$/kW | - | - | - | \$8 | \$10 | \$12 |
| Demand Charge | - | - | - | \$400 | \$2,000 | \$12,000 |
| Total Pre-Tax | \$35 | \$85 | \$160 | \$825 | \$5,550 | \$42,200 |
| WI Sales Tax (5.5%) | \$1.93 | \$4.68 | \$8.80 | \$45.38 | \$305.25 | \$2,321.00 |
| CTC Interim Calculations | | | | | | |
| CTC Method | \$/kWh | \$/kWh | \$/kWh | \$/kWh | \$/kWh | \$/kWh |
| CTC Factor | \$0.0010 | \$0.0010 | \$0.0010 | \$0.0015 | \$0.0015 | \$0.0015 |
| CTC Limit Type | % of Bill | % of Bill | % of Bill | \$/month | \$/month | \$/month |
| CTC Limit | \$1.05 | \$2.55 | \$4.80 | \$10.00 | \$25.00 | \$50.00 |
| CTC w/out Limit | \$0.25 | \$0.75 | \$1.50 | \$7.50 | \$75.00 | \$750.00 |
| CTC Collection w/ Monthly Limits | | | | | | |
| CTC w/ Limit | \$0.25 | \$0.75 | \$1.50 | \$7.50 | \$25.00 | \$50.00 |
| % of Pre-Tax Charge | 0.71% | 0.88% | 0.94% | 0.91% | 0.45% | 0.12% |
| Meets Act 141 Limits? | Yes | Yes | Yes | Yes | Yes | Yes |
| Summary of Total Bill Charges | | | | | | |
| Pre-Tax Charges | \$35.00 | \$85.00 | \$160.00 | \$825.00 | \$5,550.00 | \$42,200.00 |
| WI Sales Tax | \$1.93 | \$4.68 | \$8.80 | \$45.38 | \$305.25 | \$2,321.00 |
| CTC Charges | \$0.25 | \$0.75 | \$1.50 | \$7.50 | \$25.00 | \$50.00 |
| Total Bill Charges | \$37.18 | \$90.43 | \$170.30 | \$877.88 | \$5,880.25 | \$44,571.00 |

The \$/kWh CTC collection method is the most vulnerable to annual fluctuations in energy usage, but it is also the most equitable method for each individual customer since it tracks their actual usage. Note the importance of adjusting \$/kWh CTC collection factors and the use of \$/month limits to reduce average collections from \$38.84/customer to \$16.12/customer as shown in Table C-5.

APPENDIX B: Annual Report

Funding

Municipal utilities and RECs must collect an amount equal to an annual average of \$16 per meter to fund CTC programs. Of the amount collected, 50% shall be devoted to Energy Efficiency programs and 50% to Low Income programs. The PSC may ask for clarification if the estimated amount based on the meter number differs significantly from the amount collected.

Example: 1000 meters x \$16 = \$16,000 for CTC Programs
(\$8,000 for Energy Efficiency)
(\$8,000 for Low Income)

Reporting Requirements

Act 141 requires each municipal utility or REC that elects the CTC option to:

1. Submit its Annual Report to the PSC by May 1 (or the first business day in May if May 1 falls on a weekend or holiday). This satisfies the reporting requirements set forth in section 16.957(5) (g) of Act 141. Municipal utilities and RECs only have to file a report for the CTC program they are running.

For example, if your municipal utility or REC is enrolled in Focus, but is running its own CTC program for low income, you only need to fill out the low income portion of the report.

2. Have an independent audit completed for the programs and submit the results with the Annual Report.
3. Provide the PSC with contact info (name and e-mail) for CTC reporting when it changes.

Report Filing

Templates have been developed that will satisfy the CTC reporting requirements. Utilities electing the CTC option should use these templates. The deadline for the report submittal is May 1 of each year or the first business day of the month if May 1 falls on a weekend or holiday. Please follow the following steps when preparing your report.

1. Initiate an independent audit of your program. The audit firm should provide you with an audit report when the process is completed.
2. Fill out the Cover Letter, Program Summary, Energy Efficiency Program Description (EE Program Descrip.), Low Income Program Description (LI Program Descrip.), and Measure Detail tabs in the CTC Report spreadsheet template. The EE Program Desc tab currently has sample programs listed to give filers an understanding of the program detail that is required. *Delete, add, or change these programs as needed.*

The same spreadsheet tab can be used to record both required and voluntary efficiency programs.

3. Round all numbers to the nearest dollar. Example: \$2,048.65 should be reported as \$2,049.
4. File the report on the Commission's Electronic Regulatory Filing (ERF) system under docket number **5-GF-177**. *Your report will need to be split into two separate documents on ERF.*
5. The first document will be in a PDF format and include the cover letter and the audit report. The ERF description field should be labeled as follows "**2010 CTC-[enter utility type]-[enter utility name]-Letter&Audit**".
6. The second document will be in an Excel format and include the completed CTC report template (all three tabs). The ERF description field should be labeled as follows "**20XX CTC-[enter utility type]-[enter utility name]-Report**".
7. If there is a need for a revised report to be submitted, the new document should be labeled "20XX CTC Report-[enter utility type]-[enter utility name]-R1". R1 designates the revision number.
8. Use "Muni" or "Coop" as a substitute for Municipal Electric Provider and Retail Electric Cooperatives. Use a shortened version of your utility name as well.

Example:

Incorrect: 20XX CTC-Municipal Electric Provider-ABC Water and Lighting Utility-Letter&Audit

Correct: 20XX CTC-Muni-ABC-Letter&Audit

9. The information submitted will be compiled into a report that covers all Wisconsin's initiatives. Upon completion, this report will be sent to the legislature.
10. The report is due annually no later than May 1 for programs implemented the previous calendar year (or the first business day if May 1 falls on a weekend or holiday).

CTC Report Template (double click):



**2014 CTC Report
Template.xlsx**

Contact Mitch Horrie at the PSC with any questions on the CTC report templates or filing instructions: 608-267-3206 or mitch.horrie@wisconsin.gov.

Additional Tips for Completing the Annual Report

Miscellaneous:

- Use the utility's electronic letterhead for the cover letter, if available.
- Do not override the formulas contained in the Excel worksheets.
- Verify that data such as participation numbers, energy savings totals, and incentive totals are consistent across tabs.
- When adding or removing either programs or measures, be sure to follow the same format as the rest of the worksheet and double-check formulas to ensure that all the new values are being calculated.

Participants:

- Enter the total number of participants for each measure on the Measure Detail tab.
- Participant subtotals automatically calculate as individual program values are entered.

Quantity:

- Enter the total quantity of each measure purchased or installed as part of a program.
- Repeat this for each measure identified in each of the CTC programs.
- Subtotals for each program calculate automatically as measure quantities are entered.

kW, kWh and Therms Saved:

- For each measure, check the TRM linked in Appendix E to see if kWh and/or kW savings has been attributed to that measure.
- If the measure is in the TRM, manually enter the kWh, kW, and/or therm savings into the appropriate columns.
- For measures not in the TRM you must determine what, if any, energy savings may be reasonably claimed for the measure. Include a brief explanation for how the savings estimate was derived into the "Savings Source" column at the end of the Measure Detail worksheet.
- Marketing & Education, Load Management and certain Low Income Assistance Programs will not have any energy savings values reported.

Incentives Paid:

- After entering the Quantity (# of units) per measure, enter the Incentive Amount (per unit). The Total Incentives paid column at the far right should then be calculated for you.
- The Incentives Paid column should include customer/member incentives only and not any administrative expenses or other program costs.
- If a measure was provided by the CTC program at no cost to the customer/member, include the full price paid by the municipal electric utility or REC for the measure in the Incentives Paid column.

Total All CTC:

- At the bottom of the Measure Detail worksheet is a final subtotal line to calculate all CTC program participants, kWh savings, kW savings, therm savings, and incentives paid.

APPENDIX C: Audit Work Plan

Introduction

Act 141 requires that municipal electric utilities and RECs retaining some or all of the fees collected for the CTC program must provide for an annual independent audit of the programs. Municipal electric utilities and RECs sending all fees to the statewide program are not subject to this audit. Program participants were not required to do this under the previous Act 9 Public Benefits Law.

The report to be used by independent auditors has been created using an Agreed-Upon Procedures format as promulgated by the American Institute of Certified Public Accountants and has been designed to comply with the requirement of Act 141. This report has been developed with the cooperation of various organizations as well as numerous independent auditors. The report has been designed to not be overly burdensome on program participants. The report has also been designed for ease of evaluation by the PSC.

Report Submission

Each municipal utility or REC participating in the CTC program at the local level must contract with an independent auditor to complete this engagement. Act 141 requires this engagement to be done annually. Professional fees for completion of these engagements can be reimbursed through CTC revenues.

Upon completion of the engagement, the auditor will send the report to the municipal utility or REC. ***It is then the responsibility of the municipal utility or REC to submit the report using the PSC's ERF system by the due date.*** It is not the responsibility of the auditor to submit the report. A sample transmittal letter is attached for submittal to the PSC.

Report Details

This report summarizes the independent analysis of the program participant's compliance with Act 141. Compliance with all terms and conditions of Act 141 is exclusively the responsibility of the municipal utility or REC. It is the responsibility of the auditor to test for compliance, not ensure compliance.

As part of the process to complete the Agreed-Upon Procedures engagement, the report has been created so the auditor has very specific items to test. The report and work steps are designed around the main points of the CTC Annual Report:

- General Procedures
- CTC Financial Summary
- CTC Revenues
- CTC Expenditures
- Energy Savings

As part of completing this engagement, the auditor is required to describe in the body of the report the testing done regarding each item, and then report the results of the testing. Even though the work steps are written in a manner intended to be as specific as possible, there may be instances where auditors must use professional judgment. In these situations, auditors should elaborate on the work done to complete the engagement.

There may be items that are not applicable for each program participant. An example of this is the wholesale supplier credit. In the event that an item is not applicable, the auditor's responsibility is to acknowledge they looked at the item but that it's not applicable to the entity being audited.

Auditors are encouraged to leverage the work done in the financial audit to complete this engagement. For example, a portion of the testing of revenues and expenses during the financial portion of the audit should be suitable for this engagement. This will allow for added efficiencies in completing the engagement.

The following pages include the report and work steps to be used by the independent auditors.

Commitment to Community Program

*Audit Template – To Be Used In
Independent Audit Report*

INSERT AUDITOR LETTERHEAD

DATE

*Name, Address, of Municipal
Utility or REC*

**Re: Commitment to Community Annual Independent Accountant’s Report Prepared by
Independent Auditor**

Dear [Client]: *(This will be addressed to the utility or REC engaging the auditor to do the
work)*

In compliance with the provisions of 2005 Wisconsin Act 141, attached is our report
on the audit of the [Insert name of municipal utility or REC] “Commitment to
Community Annual Report” for the program period January 1, [YEAR] – December
31, [YEAR].

In order to comply with Act 141, upon receipt of this report, you should forward a
copy to -

Public Service Commission of Wisconsin
ATTN: Mitch Horrie
610 N. Whitney Way
Post Office Box 7854
Madison, WI 53707-7854

Please contact us if you have any questions.

Sincerely,

[Insert Independent Auditor Name]

INSERT AUDITOR LETTERHEAD

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the [Insert Name of Oversight Body]
[Insert Name of Utility or REC]
[City], Wisconsin

We have performed the procedures described below, which were agreed to by the Municipal Electric Utilities of Wisconsin, Wisconsin Electric Cooperative Association, the governing body and the Public Service Commission of Wisconsin regarding 2005 Wisconsin Act 141 (Act) as of and for January 1, 20XX through December 31, 20XX. Management is responsible for its financial records, internal controls, and compliance with State laws and regulations regarding the Act. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings in testing for compliance regarding the Act are as follows:

Note that the following lists the procedures which should be done by the auditor. In the report, the auditor should address these particular items and summarize the results of testing.

General Procedures

1. Examine Commitment to Community (CTC) Annual Report for compliance with 2005 Wisconsin Act 141 including:
 - a. Ensure submittal date to Public Service Commission of Wisconsin is prior to May 1
 - b. Verify local election of CTC program as represented on the Annual Report (if participating in the state-wide program for both energy efficiency and low income programs then this report is not necessary)
2. Examine and verify the summary of results in the Annual Report for both energy efficiency and low income programs, including:

- a. Number of participants
- b. Total funds spent
- c. Total KW savings
- d. Total KWH savings
- e. CTC program descriptions

CTC Financial Summary

1. Examine net CTC beginning balance for accuracy, including tracing balance to prior year work papers and general ledger.
2. Test mathematical accuracy of summary. Trace activity to general ledger.
3. Examine net CTC ending balance for accuracy, including tracing balances to the general ledger.

CTC Revenues

1. Verify meter totals and fee responsibility calculation (must average \$16 per meter per year but not be greater than 3% of the total bill, or \$750, per month).
2. Perform haphazardly-selected sample of ten customer bills (assuring at least one from each rate category) to verify tariff rates are being charged properly.
3. Analyze revenues to ensure 50/50 split between low income and energy efficiency programs.
4. Trace revenue totals to general ledger.
5. Compare computed revenues to actual revenues. Provide summary of discrepancies.

CTC Expenditures

1. Verify reasonable cost allocation of CTC revenue.
2. Confirm wholesale supplier credit with wholesale supplier.
3. Create a haphazardly-selected sample of expenditures to test, including Other Program Expenditures. Use auditor judgment in selecting sample size (minimum of ten is required, five from low-income and five from energy conservation amounts). The auditor should consider the following testing procedures:
 - a. Verify proper approval of individual expenditures
 - b. Ensure individual expenses are allowable program expenditures
 - c. Verify proper general ledger allocation of expenditures
 - d. Ensure appropriate split between low income and energy efficiency programs
 - e. Verify program expenditures are accounted for in the proper period

Energy Savings

1. Compare Deemed and Claimed per unit kWh and KW savings to Public Service Commission of Wisconsin authorized amounts.
2. Test mathematical accuracy of reported savings.
3. Test reported savings for types of measure for which no Public Service Commission of Wisconsin agreed upon savings are available. Examples could be Tree Power programs, energy saver kits, etc. Obtain support for claimed savings.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the [*Insert name of municipal utility or REC oversight body name*], management, and the Public Service Commission of Wisconsin and is not intended to be, and should not be, used by anyone other than these specified parties.

Auditor City, Wisconsin

Date

APPENDIX D: Sample “CTC-1” Informational Tariffs on CTC Fees for Filing with the PSC

Introduction

The PSC requires that each municipal electric utility have an approved tariff on file at the Commission that explains and lists its CTC fees.

Background

The PSC approved a “PB (Public Benefits)-1 Tariff” for each MEUW Member in 2000, as a result of changes in State law (1999 Wisconsin Act 9), new tariffs became effective in 2009. These tariffs designate by customer/member class how your utility collects an annual average of \$16/meter from your customers/members for energy efficiency and low-income assistance programs.

Commitment to Community Program Rider

Under provisions of 1999 Wisconsin Act 9 and 2005 Wisconsin Act 141, a municipal electric utility shall charge each customer a low-income assistance and energy efficiency fee. Fifty percent of the fees charged by the municipal utility shall be used for low-income assistance programs and the remainder will be used for energy efficiency programs. Low-income programs may include assistance to low-income households for weatherization and other energy conservation services, payment of energy bills or early identification or prevention of energy crises. Energy efficiency programs may include those programs designed to reduce the demand for natural gas or electricity or improving the efficiency of its use during any period.

Pursuant to Wis. Stats. §§ 16.957(5) and 196.374(7), each municipal electric utility must collect an average of \$16 per meter per year. The actual amount of fees paid by a customer cannot exceed the lesser of 3 percent of all other billed electric charges or \$750 per month. These fees are not subject to Gross Receipts or Sales Taxes. A municipal utility may determine the amount that a particular class of customers is required to pay and may charge different fees to different classes of customers.

__[Utility Name]__, in compliance with these laws and, as of the “Effective Date” established below, has set the fees for each retail electric customer rate classification as follows:

| | |
|---------------------------------------|--|
| Rg-1 Residential Service | \$00.00 per customer per month |
| Rg-2 Residential Service Optional TOD | \$00.00 per customer per month |
| Gs-1 General Service | \$00.00 per customer per month |
| Gs-2 General Service Optional TOD | \$00.00 per customer per month |
| Cp-1 Small Power Service | \$00.00 per customer per month |
| Cp-2 Large Power TOD Service | \$00.00 per customer per month |
| Cp-3 Industrial Power TOD Service | \$00.00 per customer per month |
| Cp-4 Large Industrial Power TOD | \$00.00 per customer per month |
| Mp-1 Interdepartmental Service | 0.0% of the total electric bill |
| Ms-1 Street Lighting | 0.0% of the total electric bill |

| |
|---|
| <p>Commitment to Community Program Rider</p> |
|---|

Under provisions of 1999 Wisconsin Act 9 and 2005 Wisconsin Act 141, a municipal electric utility shall charge each customer a low-income assistance and energy efficiency fee. Fifty percent of the fees charged by the municipal utility shall be used for low-income assistance programs and the remainder will be used for energy efficiency programs. Low-income programs may include assistance to low-income households for weatherization and other energy conservation services, payment of energy bills or early identification or prevention of energy crises. Energy efficiency programs may include those programs designed to reduce the demand for natural gas or electricity or improving the efficiency of its use during any period.

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__ [Utility Name] __, in compliance with these laws and, as of the “Effective Date” established below, has set the fees for each retail electric customer rate classification as follows:

| | |
|---------------------------------------|---------------------------------|
| Rg-1 Residential Service | 0.0% of the total electric bill |
| Rg-2 Residential Service Optional TOD | 0.0% of the total electric bill |
| Gs-1 General Service | 0.0% of the total electric bill |
| Gs-2 General Service Optional TOD | 0.0% of the total electric bill |
| Cp-1 Small Power Service | \$00.00 per customer per month |
| Cp-2 Large Power TOD Service | \$00.00 per customer per month |
| Cp-3 Industrial Power TOD Service | \$00.00 per customer per month |
| Cp-4 Large Industrial Power TOD | \$00.00 per customer per month |
| Mp-1 Interdepartmental Service | 0.0% of the total electric bill |
| Ms-1 Street Lighting | 0.0% of the total electric bill |

Commitment to Community Program Rider

Under provisions of 1999 Wisconsin Act 9 and 2005 Wisconsin Act 141, a municipal electric utility shall charge each customer a low-income assistance and energy efficiency fee. Fifty percent of the fees charged by the municipal utility shall be used for low-income assistance programs and the remainder will be used for energy efficiency programs. Low-income programs may include assistance to low-income households for weatherization and other energy conservation services, payment of energy bills or early identification or prevention of energy crises. Energy efficiency programs may include those programs designed to reduce the demand for natural gas or electricity or improving the efficiency of its use during any period.

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__ [Utility Name] __, in compliance with these laws and, as of the “Effective Date” established below, has set the fees for each retail electric customer rate classification as follows:

| | |
|---------------------------------------|--------------------------------|
| Rg-1 Residential Service | \$0.00000 per kWh |
| Rg-2 Residential Service Optional TOD | \$0.00000 per kWh |
| Gs-1 General Service | \$0.00000 per kWh |
| Gs-2 General Service Optional TOD | \$0.00000 per kWh |
| Cp-1 Small Power Service | \$00.00 per customer per month |
| Cp-2 Large Power TOD Service | \$00.00 per customer per month |
| Cp-3 Industrial Power TOD Service | \$00.00 per customer per month |
| Cp-4 Large Industrial Power TOD | \$00.00 per customer per month |
| Mp-1 Interdepartmental Service | \$0.00000 per kWh |
| Ms-1 Street Lighting | \$0.00000 per kWh |

APPENDIX E: Technical Resource Manual (TRM)

To ensure consistent applications of energy savings for measures CTC programs can use the Wisconsin Focus on Energy Technical Reference Manual (TRM). The most recent version of the TRM is always available on the Evaluation Reports page of the Focus website: www.focusonenergy.com/evaluation-reports.

Note: previous versions of the Guidebook referenced a Deemed Savings Workbook.

APPENDIX F: 2005 Wisconsin Act 141 & PSC Chapter 137

Current statutory reference to 2005 Wisconsin Act 141 can be referenced at this link:
<https://docs.legis.wisconsin.gov/statutes/statutes/196/374>

In July 2007, the PSC also created a chapter of its administrative code that covered some of the Commission's new energy efficiency and conservation responsibilities pursuant to 2005 Wisconsin Act 141. Procedures to receive contributions from municipal utilities and RECs are of particular importance to this Guidebook and can be referenced at this link:
http://docs.legis.wisconsin.gov/code/admin_code/psc/137/06

APPENDIX G: Using the PSC Electronic Regulatory Filing System

Municipal electric utilities should already have an ERF account established with the PSC, which should be used for submitting CTC Annual Reports using docket number 5-GF-177. RECs with an existing ERF account should also use this docket number for submitting CTC Annual Reports.

RECs that do not yet have an ERF account will need to create one prior to submitting the Annual Report. The PSC's [Electronic Regulatory Filing System User Manual](#) provides instructions for setting up an account.

Each REC should use its utility number to create an account. Multiple accounts with unique login and password are allowed as an alternative to setting up a single corporate account.

APPENDIX H: Commonly Asked Questions

1. Is there a “rule of thumb” to help us determine incentive amounts for various energy saving projects or products?

Though there are no required amounts or calculations to be used when deciding on appropriate incentive levels for energy programs, best practice is to approximate the value of the incentive to the amount of energy being saved. Other factors that may also be considered are the existing market penetration of the technology, whether the incremental costs compared to a less efficient choice are high, low or relatively non-existent, and if the particular technology or project is especially innovative with greater barriers to implementation.

Also helpful to keep in mind is that energy program research has shown us that when there is little to no investment on the part of a customer/member, the perceived value of a program or product is lowered and installation rates are decreased. Historically, customers/members provided with a free compact fluorescent light bulb are less likely to install the bulb than one who purchased it at a full or reduced cost. Similarly, customers/members receiving free or very low cost energy audits typically have lower project implementation rates than those with a co-pay toward the audit cost.

Reasonable ranges for equipment or improvements with credible documented energy savings would include \$125 to \$200 per kW and 4¢ to 6¢ per kWh, with most common projects in the lower range and especially innovative projects in the higher end of the range. If both kW and kWh savings can be claimed, add the two amounts together to arrive at the total incentive amount.

2. What should we do if we spent more on CTC programs than the amount collected during that same time period?

Every effort should be made throughout the year to monitor the CTC budget against expenses and adjust program offers as necessary to avoid spending more than what had been collected.

One way in which this might be done is to include a statement on promotional materials and rebate applications to the effect of “Incentives are available on a first-come, first-served basis and may be subject to change or cancellation at any time.” This leaves open the opportunity to reduce incentive amounts or discontinue certain programs if needed to control expenses. Ideally, programs to be reduced or discontinued should be those with the least measurable energy savings so the remaining funds can be used toward projects with the greatest energy benefits.

If these steps have been taken but the amount spent still exceeds the amount of CTC funds collected, the CTC budget may run at a negative balance until enough additional collections are received to fill the gap. However, it is important to note that this should only be a temporary

arrangement and spending should be appropriately reduced to prevent the negative budget balance from becoming an ongoing occurrence.

Another good approach would be to supplement the CTC budget with additional funds collected through rates. Remember, \$16 per meter for CTC is the minimum to be collected and spent. Collecting additional dollars for energy programs and/or low income assistance will help to eliminate the budget deficit for the programs and may also allow you to expand the services offered to customers/members.

3. Is it okay to carry over CTC funds from one year to the next if not all the money has been spent?

The goal is to spend commensurate with CTC revenue collection each year. It is acceptable to carry over some funds from the end of one program period into the start of the next, with two caveats. First, the carryover amount should be minimal and should not continue to accumulate year after year. If the balance of unspent funds is large or increases rather than decreases over time, more could and should be done to expand the portfolio of programs offered and/or increase marketing efforts to accelerate program participation.

Second, if funds are carried over into a new program year then it would be wise to identify a specific purpose for which the dollars are being committed and will be used in the coming months. For example, a \$1,000 carryover may be designated as a “cushion” to cover unforeseen expenses yet to be billed or earmarked for a marketing campaign. Larger amounts of several thousand dollars should prompt the creation of an internal action plan for how the money will be appropriately re-directed to customers/members for CTC programs. Are there several large eligible projects already in progress for which a portion of the carryover may be set aside to pay for incentives? Could a new program be added and launched within the next few months?

4. If one portion of our CTC programs (e.g., low income assistance) has significant unspent funds available, may we use that money for the other portion of CTC programs (e.g., energy programs)?

No. Act 141 states that one half of the CTC funds (\$8 per meter) must be used specifically for low income assistance programs and the other half of the funds (\$8 per meter) must be used for energy programs. The amounts may not be combined or re-allocated in other ways.

5. How do we know what is or is not considered an acceptable CTC energy program?

CTC programs are intended to produce a measurable reduction in energy use and, as mentioned in Chapter 3, must be able to provide clear and credible justification for how they further the purpose of “public benefits” through energy efficiency, load management or low income assistance.

When determining whether a particular program or incentive is justifiable, begin with some research to find whether there is readily available, reliable documentation for how much energy the device or project will save. Typically, this information will be relatively easy to find for a reputable energy program. If little to no reported energy savings estimates can be found, or if estimates are theoretical (rather than actual documented results), it is very likely that the program should be reconsidered in favor of other efforts that are more justifiable. In other words, if the connection between the proposed program and the intent of Act 141 is not an obvious one, it is best to not use CTC funds for those purposes.

6. Is it okay to use a portion of the CTC funds to give away items such as water temperature cards, refrigerator coil cleaning wands, magnets with energy saving tips, or other products?

As long as the give-away items encourage the message of saving energy and/or promote a specific CTC program, a *reasonable* amount of the CTC budget may be used to pay for the promotional gifts. In the case of the items on this list, they should be viewed as awareness pieces listed under the "Marketing & Education" section of the CTC Annual Report Data Worksheet and would therefore not have energy savings values attributed.

7. Under PSC rules, can MEUW utilities apply late fees to unpaid CTC customer/member charges?

Yes, PSC staff have opined that late fees should be applied to CTC customer/member charges that are not paid on time. And the late fees should be retained by the utility as a cost of account collection (i.e., if your utility has opted into Focus, the customer's/member's payment of late fees on their CTC charges should stay with the utility and not be sent to Focus