

A Revised A to Z Guidebook:

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

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(Revised January 2011*)

*Updates to Annual Reporting dates and deadlines only. Further revisions may be made at a later date.



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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 MEUW (Municipal Electric Utilities of Wisconsin) and WECA (Wisconsin Electric Cooperative Association).

The overriding 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, a good discussion of how to make these program offerings effective for and responsive to the needs of your customers, and various tools to assist in the proper record keeping and annual reporting requirements for these programs. We updated the original Guidebook (previously released in August 2008) in a number of important areas, particularly in regards to annual report templates and instructions on how to use those templates.

The Appendices are also a wealth of information, providing an example of how a CTC fee is calculated, audit and reporting templates that have been preapproved by State officials, sample CTC-1 Informational Tariffs for CTC fees that MEUW Member utilities must file with the PSC, a PSC memo for MEUW Member utilities to use to properly account for the fees collected pursuant to the PSC’s Uniform System of Accounts, the “Deemed Savings” data to be used in the creation of the Annual Reports which are due on May 2, copies of other relevant information such as PSC Chapter 137, directions on how to utilize the PSC’s ERF (Electronic Regulatory Filing System) to file Annual CTC Reports, a copy of the September 2009 PSC e-mail explaining the opt-in/opt-out deadlines, and finally, answers to some commonly asked questions.

MEUW and WECA jointly hired WECC (Wisconsin Energy Conservation Corporation) to assist in and complete the drafting of this Guidebook. We sincerely appreciate the expertise and professionalism that WECC added to this project. We also want to thank the officials at the Public Service Commission of Wisconsin and the Department of Administration/Division of Energy Services who provided invaluable assistance and suggestions as the Guidebook was produced.

We trust that this Guidebook will provide you with the information and tools that you need to effectively implement and run a 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 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

Act 9 was the product of work among investor-owned utilities, municipal electric utilities, electric cooperatives, 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, electric cooperatives 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. 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, administered by the Department of Administration. Municipal electric utilities and rural electric cooperatives (RECs) were required to begin collecting a “Public Benefits” fee for energy efficiency programs and/or low income assistance and weatherization services but could opt to join the statewide efforts or develop their own local programs. 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 can save on his or her 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, 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 passed to address shortcomings of Act 9. The new legislation under which statewide and Commitment to Community programs operate is referred to as Act 141. The most notable changes include a shift in overall administration of the Focus on Energy program from the Department of Administration to the Public Service Commission and SEERA – the Statewide Energy Efficiency and Renewables Administration. The move eliminates the risk of ratepayer dollars being diverted to the state’s general fund (which had occurred twice under the original structure) and also allows the PSC to 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 on Energy program being set at 1.2% of revenues for investor-owned utilities, modification to customer eligibility guidelines based on the fuel type purchased and saved, and new options for serving the largest energy users beginning in 2009. It is important to note that the statewide low income assistance and weatherization efforts continue to be administered by the Department of Administration 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 Commitment to Community 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 rural electric cooperatives will be discussed in more detail in the following chapters and appendices, 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

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, the community it serves and society in general. While it is important to recognize the energy benefits of lower utility costs and lower customer 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. 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 demand and stabilize rates by protecting against sharp increases in capital or power/fuel costs.
- *Increased customer 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 satisfaction with the local utility.
- *Community economic development.* A good share of the funds saved by effective energy efficiency programs is 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 will be 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 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 to ensure the sense of togetherness that characterizes a community.
- *Complying with legislative requirements.* While this prod cannot be ignored, it is not a driving reason for good CTC efforts. The benefits listed above are the reasons for a municipal electric utility or REC to pursue effective CTC programming. By securing these benefits, any legislative obligations will also be met.

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 Commitment to Community requirements of 2005 Wisconsin Act 141. Most of the requirements related to CTC programs set forth in Act 9 remain unchanged, with a few exceptions noted below.

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

- Each municipal electric utility and rural electric cooperative 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 is required to pay and may charge different fees to different classes of customers.
- The utility must ensure that the total increase in a customer'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 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 Commitment to Community programs*

- Municipal electric utilities and RECs may, at any time, opt to transfer some or all of the funds for participation in the Focus on Energy program and/or DOA's Low Income Assistance program.
 - Participation in the statewide Focus program will be in effect through December 31, 2010. It is anticipated that the PSC will contact all municipal electric utilities and RECs during fall 2010 to make a decision regarding their participation in Focus on Energy for 2011. The opt-in or out request will follow an announcement regarding Focus on Energy administration, funding, commitment periods, and other details for program year 2011. See Appendix J for more information.
 - Participation in the statewide Low Income Assistance program will remain active unless DOA is notified by April 1, 2010 that the utility wishes to opt out as of June 30, 2010.
- Municipal electric utilities and RECs may establish joint CTC programs with other municipal electric utilities or electric cooperatives. However, each participant in a joint program must comply with its specific spending requirements.
- A municipal electric utility or rural electric cooperative 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 Guide Book.

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 on Energy 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 some or all of the fees collected for CTC programs 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, (b) the CTC programs established, and (c) the effectiveness of the CTC programs in reducing demand for electricity by customers/members. More detail related to the audit and reporting requirements are discussed in subsequent sections of the A to Z Guide Book.

While the above requirements describe the obligations of a municipal electric utility or REC under the CTC sections of Act 141, 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 or REC customer 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.
- 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 the 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 demand for electricity and identifying their potential impacts on the state's energy resource planning.

Appendices C and D provide templates for both the written Annual Report and the accompanying CTC Summary and Spending Detail worksheets. The templates will be used for reporting CTC activities and expenditures annually to the PSC and the 2010 report should be

submitted no later than May 2, 2011. The single, inclusive format allows for the combined reporting of all energy efficiency, load management and/or low income assistance CTC programs offered by the utility. All annual reports for CTC programs will be sent via the ERF system to the PSC, where both the Commission and the Department of Administration will have access to the reports. (See Appendix I for instructions on how to submit reports via the ERF system.)

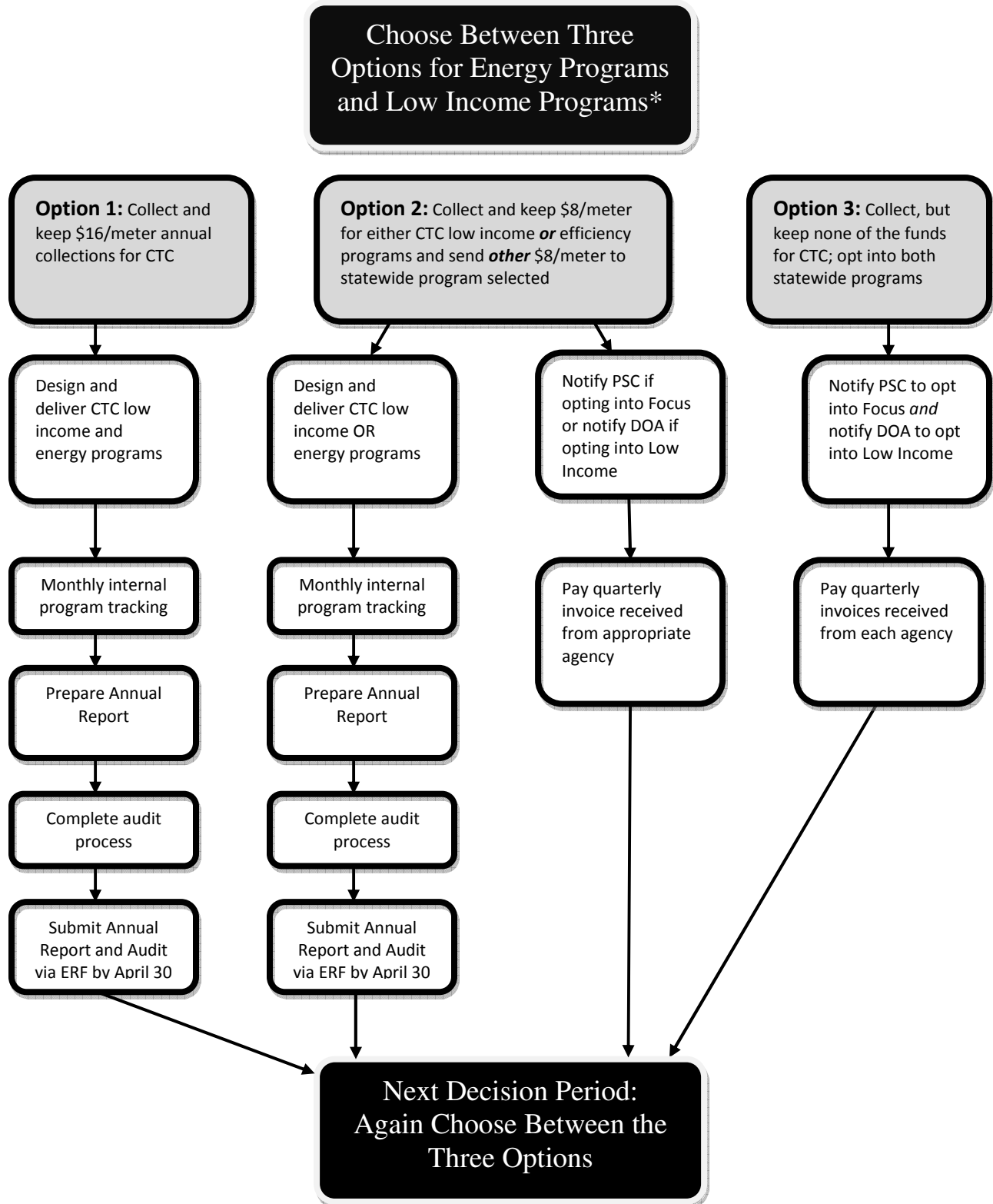
Additionally, the PSC has authority to ensure that each municipal electric utility and REC annually inform their customers of the purposes, revenues, expenditures and programs conducted via the utility's CTC efforts.

It is important to recognize that the absence of direct PSC or DOA authority over municipal electric utility and rural electric cooperative CTC programs does not mean there may not be considerable public scrutiny of these efforts. If Commitment to Community programs are not well planned and effectively administered, some may call for increased direct oversight and accountability to the PSC or perhaps even 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 – to sue if they believe that a municipal electric utility or REC is failing to comply with Act 141's requirements.

In order for municipal electric utilities and rural electric cooperatives 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

Flow Chart of Obligations for Municipal Electric Utilities and Rural Electric Cooperatives under CTC



* Please see "Appendix J: PSC Fall 2009 Update" for more information about the deadlines and notification process for joining statewide programs.

Chapter 4: The CTC Annual Report and Audit

Introduction

Act 141 requires that municipal electric utilities and RECs retaining some or all of 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. 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 and/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 C.

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 to create additional efficiencies and can be found in Appendix D.

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 2010 audit is due by May 2, 2011 and should be sent using the PSC's ERF system, where both the Commission and the Department of Administration 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

The requirement of municipal utilities and RECs to have the audit can be found in 2005 Wisconsin Act 141, section 196.374(7)(e).

Chapter 5: Collecting Commitment to Community Fees

Introduction

Regardless of how a municipal electric utility or REC decides to spend its Commitment to Community 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 must collect each year for CTC
- How to treat wholesale credits currently recovered in rates toward meeting the annual CTC requirement (if so desired)
- 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 rural electric cooperative 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 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 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

The remainder of this chapter will address how to comply with each of these collection requirements.

Determining the number of meters

The number of meters reported by a utility on its most recent federal EIA annual reporting form is the best starting point to calculate the number of meters times \$16 per meter that will determine the annual CTC revenue requirement that the utility must collect. Therefore, it is important that each municipal electric utility review the reported EIA number of meters and make appropriate adjustments.

After making any appropriate adjustments, each municipal electric utility and REC should multiply the number of meters times \$16 to calculate the annual amount of CTC funds that must

be recovered from customers. One twelfth of this amount should be collected each month, assuming there are no pre-existing credits which are discussed in the next subsection. You do not need to adjust the number of meters mid-year to account for new customers 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. An example of this may be a municipal electric utility or REC that had been applying wholesale supplier / load management credits to reduce the amount of CTC funds collected from customers. If the utility decides to opt into Focus on Energy a few months into the program year, it is not necessary to retroactively collect additional fees to make up the full \$8/meter annual contribution. Rather, the utility would begin collecting approximately 67 cents per meter per month (\$8 divided by 12 months) beginning the date on which their participation in Focus would become effective.

Appendix B sets forth in more detail how “meters” are defined, counted, and charged.

Applying wholesale supplier and/or DSM credits

If a municipal electric utility or REC is going to use a whole supplier credit and/or an existing DSM credit, the total fee to be collected from customers would equal the CTC fee obligation *minus* the appropriate credits. If no credit is claimed for whatever reason, then the appropriate total CTC amount to calculate individual customer charges is the adjusted number of meters times \$16.

Wholesale Supplier Credits

If a wholesale supplier (like WPPI or Dairyland Power) has established a program for low income assistance or an energy efficiency program, a utility that is a customer or member of the wholesale supplier may include an amount equal to the utility's percentage of the wholesale supplier's total supply times the amount of dollars that the wholesale supplier has spent on low income assistance and/or energy efficiency/customer-sited renewable energy programs toward the municipal electric utility's collection requirements.

Your wholesale supplier should furnish you with the above information so that your utility can decide whether to apply the wholesale supplier credit or not. The wholesale supplier credit applies only to municipal electric utilities and RECs administering their own Commitment to Community programs. The credit is not applied in cases of utilities opting into either of the statewide programs, as the actual collections are needed to fund the programs.

Credit for Existing DSM Expenditures Recovered in Rates

Some municipal electric utilities and RECs may be collecting funds from customers for previously existing DSM programs. PSC staff has agreed that rather than require a utility to come in to adjust its rates to account for those DSM collections, the utility can continue to collect these funds through rates and use them as a credit toward its CTC obligation or for any other purpose that it wishes (of course including DSM). Any necessary change to rates would occur at the next rate case for the utility.

For a municipal electric utility that wishes to collect no more than necessary from its customers to meet its CTC obligation, a credit for existing funds recovery can be used to reduce the new charge or fee necessary to collect the full required amount. However, in calculating this credit it is important to remember that the CTC charge is not subject to either sales or gross receipts tax as revenues collected from rates may be. Therefore, it is necessary in an existing program credit to credit not only the cost of the programs being collected through existing rates but also to credit the sales tax on that amount to ensure that customers are only paying for their share of the non-taxable CTC fee.

Allocating collections across customer classes

A municipal electric utility may decide to charge different customer classes a different fee in collecting the total annual CTC fee requirement. This could involve a different amount for the fee or even a different method of recovering the fee between customer classes.

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

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

The bottom line should be that when the utility looks at the proposed allocations to collect the CTC fees from various customer classes, the utility is comfortable that it can justify the allocations in terms of equity to its customers and the allocations do not violate the rate cap limitations.

Complying with rate impact limitations

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

Two different billing approaches have been proposed to comply with the rate impact limitations requirement while still equitably collecting the required total fees: the “Percentage of Bill” option and the “Fixed Rate” option. The “Percentage of Bill” option operates by applying the 3% rate cap to customer classes rather than individual customers (although the \$750 per month rate cap is always in effect on a customer basis). This option is discussed in the next subsection.

The Fixed Rate Option

The Fixed Rate approach uses a fixed charge to collect fees from each customer class. While the fixed charge is the same for all customers within a class, it can be different between classes (e.g. \$1.33 per month for residential customers and \$25 a month for commercial customers).

The fixed charge is calculated by determining how much in CTC fees will be collected from each customer class and then dividing the number of adjusted meters in that class into this amount to determine the per meter monthly fixed charge for that class.

Therefore, under a Fixed Rate option, a municipal electric utility 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 (based on estimated meters) 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 problems with 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 is paying more than allowed (e.g. a seasonal customer). For example, WPPI has calculated 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 having to make up the amount that cannot be collected in the residential class or by charging larger residential customers potentially large 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 (assuming the billing system does or can be made to perform such iterations).

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 has paid in fixed charges over time toward the rate cap. This will require resources and costs to make periodic true-ups as well as potentially require refunds to customers for over collections.

The major benefit of the Fixed Rate approach is that it is likely to produce total revenues close to the required amounts because the uncertain variable is the estimated number of meters by class (something most utilities should have a reasonable handle on). But, because of these problems, another approach to collection of the required CTC fees has been developed: the Percentage of Bill option.

The Percentage of Bill Option

Under the “Percentage of Bill” option, a municipal electric utility 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 class based on forecast usage or sales revenues that will total up to the required amount. (The monthly CTC charge for customers in a class is calculated by multiplying this percentage times the customer’s total electric bill prior to the addition of sales tax.)
3. Ensure that no customer 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. (It is expected that the number of customers affected by the \$750 limit will be small for each utility and capable of manual adjustment.)

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 pay more (this could cause some concern for low income, higher-use customers) and that the actual amount received each month will vary with usage (rather than resulting from a misestimate of the number of meters). 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. This means that any utility that uses this method must try to estimate as accurately as possible the expected 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 for a year should be considered when establishing the CTC fees needed to be collected in the next year.

Recommended collection approach

It is possible to blend the two billing approaches together to capture the strengths of both while mitigating the limitations of each. The Fixed Rate approach is a simple method particularly for a class in which it is unlikely that any customer will exceed the rate impact limitations (or so few that manual adjustments can be made as necessary). The Percentage of Bill approach works well where there are customers 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, like residential customers, while a Fixed Rate approach is used for larger customers, such as commercial and industrial.

This blended approach would reduce the possibility of meaningful over and under collection since the larger customer classes are paying a fixed charge rather than a number based on an estimate of class sales revenue. The primary benefit of the blended approach is that it best collects the required annual amount while still complying with the purpose of the appropriate rate impact limitations without creating an unnecessary and undesirable level of administrative expense to do so.

Bill formats and how to collect annual CTC fees

CTC fees should be collected on the customer's monthly bill as a separate, non-taxable line item charge. The choice of bill format options is likely to depend on whether you wish to credit wholesale supplier expenditures and/or existing DSM funds collected in rates toward meeting the CTC obligation. There is no restriction that prevents a municipal electric utility from supplementing CTC funds with additional DSM funds collected through rates.

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

Example 1: Recovery with no Credits

This example would be best suited for municipal electric utilities or RECs that will not seek to apply a wholesale supplier credit or a credit for any existing DSM funds collected through rates.

A. Fixed Charge	\$3.50
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B. Total non-taxable CTC charge	\$1.33
C. Energy Charge	\$40.00
D. Wisconsin Sales Tax [(A + C) x .055]	\$2.35
TOTAL:	\$47.18

Please ensure that the sales tax does not include the non-taxable charge. This format will require one additional line on the bill.

Format Example 2: Recovery with Credits

This method would be most useful for utilities that do wish to offset some portion of their CTC obligation with a wholesale supplier credit and/or a credit for DSM funds collected in existing rates. It will, however, require at least three additional lines to the billing format.

A. Fixed Charge	\$3.50
B. Total non-taxable CTC charge	\$1.33
C. Existing program credit (exclude sales tax)	(\$.70)
D. Net non-taxable CTC charge	\$.63
E. Energy Charge	\$40.00
F. Wisconsin Sales Tax [(A+E-C) x .055]	\$2.35
TOTAL:	\$46.48

Notice that the charge in Example 2 is \$0.70 less than the total bill calculated in Example 1, reflecting the credit given in Example 2. Also note that sales tax must not be included in any portion of the total non-taxable program charge when calculating the existing program credit. Otherwise the customer is being charged tax on what is supposed to be a non-taxable charge.

Reimbursement of reasonable expenses

Municipal electric utilities and rural electric cooperatives 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.

These costs should be carefully documented if the utility wishes to recover them. 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 contributing them to one or both of the statewide programs – Focus on Energy and/or Low Income Assistance.

Required election on the use of CTC funds

A municipal electric utility or rural electric cooperative has three options for retaining and/or transferring Commitment to Community funds:

- Contribute all collected fees for participation in *both* the Focus on Energy 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 on Energy program and the other half (\$8 per meter) would be sent to DOA for low income assistance.
- Keep all of the collected fees for Commitment to Community 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 (efficiency, renewable energy, load management).
- 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.

As noted earlier, participation in statewide programs for municipal electric utilities and RECs that opt into Focus on Energy will be in effect through December 31, 2010, with the next formal opt-in or out period to occur during fall 2010 with decisions to be made effective for the 2011 program year. Participation in DOA's Low Income Assistance program will remain active unless a request to opt out is received by April 1, 2010, with termination effective June 30, 2010.

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
- Customer preference
- Program delivery expertise
- Ability to influence 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, 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 of multiple utilities and for customers who travel outside the local community to shop for appliances or other energy efficient products and see competing offers at retail stores.

Another possible advantage to having some 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 Guide Book), or even 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 ahead of time.

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. A compact fluorescent light bulb will save the same amount of energy regardless of where in the state it is installed. For this reason, a spreadsheet of “deemed” savings values for common technologies has been provided by the PSC, to be used when preparing the CTC annual report. The spreadsheet can be found in Appendix G.

Reporting

Municipal electric utilities and retail electric cooperatives 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 or agencies. However, the utility is also able to track participation in the CTC programs by each of its customers and know that the funds are being 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. While the utility does not know specifically which customers purchase certain products or complete projects through the statewide Focus on Energy program (with the exception of business customers), each participating utility does receive a semiannual progress report of the types of projects completed by its customers, the energy savings achieved, and the total incentives paid.

Budgets

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

services with the budget available and could do well to take advantage of the larger pool of funds in the statewide program.

Attempting to remain competitive with services and incentives offered through the statewide energy efficiency and renewable energy program – Focus on Energy – proves to be more challenging, as customers completing large business or renewable energy projects may receive incentives of up to \$750,000 per year. Because the budget for the Focus programs goes where the projects and energy-saving potential are, regardless of the amount collected within individual territories, customers 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 may be able to leverage Focus on Energy 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.

A final consideration related to budget and energy program options is that a utility choosing to transfer half of the CTC collections to the accounting firm managing the Focus on Energy budget for participation in that program may *also* collect additional funding through rates to continue running certain local programs for its customers. In doing so, the utility allows its customers 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 on Energy 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 not only ensure social equity but also provide significant financial and resource benefits to municipal electric utilities and electric cooperatives. This chapter addresses the following details related to the development of effective low income Commitment to Community assistance programs.

- The definition of low income assistance programs and a description of the general types of programs included in that definition
- A description of the Department of Administration's statewide low income energy programs
- The value of CTC low income assistance programs
- Examples of program ideas
- Potential 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:

- Cash assistance to help low income customers pay their energy bills
- Crisis assistance to help low income customers prevent shut-off of electricity
- Weatherization services including insulation, air sealing, lighting, appliances and related services in low income homes or rental units
- Replacement of appliances, window a/c units, and lighting to increase the efficiency of the units and reduce the electricity use of the customer
- Efforts to help low income customers 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 furnace or cooling system repair or replacement

A low income household or customer is defined as any Wisconsin individual or group of individuals who are living together as one economic unit and for whom residential electricity is customarily purchased in common, or who make undesignated payments for electricity in the form of rent, and whose household income is not more than 150% of the federal poverty guidelines. The federal poverty guidelines are adjusted annually by the US Department of Health and Human Services (HHS) and can be found for any given year at

<http://aspe.hhs.gov/poverty>.

Summary of DOA's low income assistance programs

The Wisconsin Department of Administration's Division of Energy 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 two main efforts – energy assistance and weatherization. More information on these programs can be found by visiting www.homeenergyplus.wi.gov. Low income customers can be referred to the toll free number at 1-866-432-8947 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 furnace repair and replacement

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

Weatherization

The Division of Energy Services also contracts with local agencies to administer Wisconsin's Weatherization Assistance Program. If a customer 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 furnace or boiler
- 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 to not participate in DOA's statewide low income assistance programs, the *federal* funds for low income assistance (LIHEAP and WAP) will still be available to any eligible low income customer. 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 are able to reduce energy use, they are more able to pay their energy bills – which is a benefit to themselves, the utility, and other customers. 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 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 would otherwise probably 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 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 electric cooperatives.

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 rural electric cooperative with flexibility in designing its low income assistance programs. However, it is important to remember the two principles referenced earlier in the Guide: 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 the low income designated funds must be used on programs designed for customers meeting the 150% of federal poverty guidelines.

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.

1. Bill Payment Assistance

If a low income person is eligible, a payment of a certain amount will be made to a specified energy supplier. Under the existing WHEAP criteria, these 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 level). The WHEAP bill payment assistance program covers most all 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 to determine WHEAP eligibility (other than the heating eligibility requirement) for WHEAP's customers. Because the federally funded program will remain 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 person who heats with electricity.

Additional bill payment assistance options may include:

- A program to prevent imminent disconnection of electric service for non-heating purposes. A low income customer 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 would also have to enter into a deferred payment arrangement with the utility for any remaining arrearage on his or her bill.
- A program to reduce the energy burden on low income customers. The purpose would be to try and break the cycle of disconnection-reconnection that can occur as low income customers are unable to pay their current bill or keep deferred payment arrangements for any variety of reasons (e.g. temporary illness etc.). The best model for such a program is the “Percentage of Income Payment” (PIP) approach. The PIP approach calculates some percentage of income payments 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 under the PIP plan and the actual bill. There are a number of methods that can be used to ensure that a customer has an incentive to conserve even though he or she is on a PIP. For example, there could be monthly credits based on an estimate of annual usage rather than attempting to limit a customer’s 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
- 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 piggy-back on WAP efforts by DOA’s program providers by contracting directly with those same providers. 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 these 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 in the gaps of WAP efforts include:

- Co-funding or fully funding the replacement of incandescent light bulbs with compact fluorescent light bulbs in homes slated for the statewide weatherization program.
- Co-funding or fully funding the installation of water heating saving measures such as faucet aerators, showerheads, water heater tank insulation and water heater pipe insulation in homes slated for participation in the statewide weatherization program.
- Co-funding or fully funding the replacement of inefficient refrigerators and 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 customer's electric utility bill.
- Co-funding whole house weatherization efforts for customers in electrically heating homes.
- Co-funding whole house weatherization efforts in your service area irregardless of heating fuel type.
- Homes that have been previously weatherized under the State's WAP still in need of baseload reduction measures such as appliance and air conditioning upgrades.*

* Note – using low income assistance funds to install new central air conditioning or heat pumps in homes with no existing units may be inconsistent with the intent of Act 141, as it could *add to* – rather than decrease – a low income customer's energy burden.

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. It does so by trying to avoid the potential problem caused by a low income customer attempting to pay deferred payment arrangements 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 out of. An arrearage forgiveness or reduction program provides an incentive to become more timely and current in their payments than in the past. If current bills are paid in a certain amount on a timely basis, some percent of arrearages for that customer will be forgiven. In this case, the CTC funds would be returned to utility to cover the foregone

arrearages. This type of arrearage forgiveness approach could also be used in coordination with a percentage of income payment plans discussed above.

5. Early Identification Programs (EIP)

The goal of EIP programs is to proactively help low income customers avoid disconnection or past-due payments. An EIP program may include budget counseling, education and information, energy assessments, efforts to have customers 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 that they require a utility to better understand the nature, frequency and types of customers with payment problems rather than to assume a one-size explanation or solution fits all. These programs require utility involvement (e.g. agreeing to special payment plans), but can be effectively operated through local community organizations and agencies. They also provide a good means to tie various program efforts together so that low income customers 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 with electric hot water heating, this package would include an electric hot water heater tank wrap, pipe wrap, low-flow showerhead and faucet aerators, and a compact fluorescent bulb.
- 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 operation 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 could provide a very effective means to improve the quality and efficiency of housing for low income persons.

Program types and electric vs. other fuel sources

Low income customers tend to be like other customers; some have fairly low electric usage and some have high electric usage. But, 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 (e.g. bill payment plans such as PIP for high use customers), while others are applicable to most all low income customers (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. Theoretically, lowering the customer's total energy use can help reduce their 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 of multiple participating municipal electric utilities or REC 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. The most prominent example would be the county and local agencies and the local weatherization providers. Even though customers cannot participate in both a CTC low income assistance program and DOA's statewide efforts, coordination will make it easier for the agencies and providers to effectively provide services for both while making it easier for customers 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 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 lessen any burden. Regardless of the use of other entities to deliver programs there will be a continuing role for the utility itself as there will be a need to collect, disperse 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 the vital players (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 electric cooperatives. These joint efforts could allow a smaller form of third party administration discussed above. The benefits of this approach are that the joint program could eliminate unnecessarily diverse requirements on local providers while providing enough volume of activity to justify a third party administrator.

Expanding the role of a third party administrator to also include similar responsibilities for CTC energy programs would allow economies of scale and further relieve the demands that those responsibilities make on utility resources and staff. The cost of hiring a third party administrator can also be paid from the CTC collections.

Accounting responsibilities

Each municipal electric utility and REC offering CTC low income assistance programs must, as part of its annual report to DOA, include a description of the programs and funds expended. These utilities must also report similar information to customers 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 could in large part be transferred to a third party administrator.

Chapter 8: Developing Effective Energy Programs

Introduction

In addition to low income assistance programs, municipal electric utilities and rural electric cooperatives 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 Commitment to Community 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 advanced technology, behavioral changes, codes and standards, fuel switching, etc. Specific examples of energy efficiency programs will be 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 the time of peak demand to times of less demand. Load management programs do not necessarily save much energy, but they can significantly reduce customer, 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, there is no explicit requirement in Act 141 that a certain amount of total funds be spent on any specific sector. One obvious 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, funds leveraged from other sources, or funds from shareholders.

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 customers' projects. These utility-owned projects are better expensed through the utility's rates.

One exception concerns municipal buildings that might house the city's energy manager along with various other municipal functions. If the primary purpose of the building is energy services then this policy would apply but if the building houses multiple city functions and the city pays the electric and/or gas bills, then it 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 need to be familiar with customer behavior, emerging trends in specific technologies, program options such as direct installation and rebates, 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 and the market, and to offer incentives that are proportionate to the incremental energy savings gained from the more efficient equipment. If most customers 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 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.

Further, it is important to consider the energy savings a particular item or project may provide when determining what, if any, incentive should be offered. For example, if an ENERGY STAR qualified refrigerator saves less than 70 kWh when compared to a non-qualified model, is a \$50 rebate warranted when the energy savings is roughly equivalent to that of two CFLs with a \$2 rebate each? Much research has been done on the adoption rates and market share of specific products and equipment in Wisconsin, the incremental energy savings these technologies provide, and the effects of rebates in motivating customers' buying choices. Consider making use of these resources when designing CTC programs for maximum efficiency and cost effectiveness.

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 will be addressed in more detail throughout this section.

1. Define the program budget and goals
2. Do your research – target markets, barriers, evaluation results of other existing efficiency program efforts, etc.
3. Decide on program services and incentives to offer
4. Identify who will do the work
5. Develop and launch marketing plan
6. Track customer participation data
7. Evaluate and modify programs for continuous improvement

Identifying target market segments

There are three primary program 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 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 choosing standard equipment or building practices may extend for years – or potentially even decades.

Barriers to energy efficiency improvements

Barriers may differ by customer sector, but typically include limited access to capital, risk perception (financial, technological, implementation), inconvenience, lack of good information (availability, cost, reliability), and split incentives (owner and occupants, decision makers – architects versus developers and builders versus owners). Programs must address barriers in both design and delivery in order to maximize customer 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 your customers to participate in energy efficiency programs. These include:

- Direct rebates
- Custom rebates

- Direct installation
- Mail order
- Low-cost product giveaways
- Contractor/retailer incentives
- Financing
- Audits

Direct rebates

Direct 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 direct 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, are a more expensive program option to offer because of higher costs to administer and conduct the required analyses.

Direct installation

Direct installation programs are useful for promoting common low-cost energy efficiency options to customers. Programs can concentrate on the installation of low-cost technologies such as low-flow showerheads, faucet aerators, tank wrap, pipe insulation, compact fluorescent lighting, and exit light kits, or combine low-cost measures with major measures such as insulation, high-efficiency lighting (fixtures and bulbs), air sealing, direct load control of air conditioners, heating and cooling controls, etc.

Customers targeted by this program type typically need packaging and demand-side measures and assistance in measure installation. The residential and small commercial sectors are excellent candidates for direct installation programs. In some cases, it may be less expensive to hire someone to do the measure installation than it is to encourage customers to acquire and install measures on their own.

Mail order

Mail order programs are initiated by utilities that do not wish to directly administer a program. The mail order operation usually involves a third party fulfillment company or distributor and may include compact fluorescent light bulbs or water saving devices (low-flow showerhead, tank wrap, and faucet aerators) in the residential sector. Educational information about the products and installation instructions must be included with each order.

Low-cost product giveaways

Low-cost product giveaways can be a part of a direct installation program, 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. It is important that educational materials and installation instruction accompany the low-cost products.

Contractor & retailer incentives

Contractor and retailer incentives provide financial “bonuses” directly to contractors and retail suppliers instead of, or in combination with, customers. 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 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 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 to make purchases of specified efficient equipment. An effective financing program can make it easier for a customer 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 your customers. 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 historically, many customers 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.

Advantages & disadvantages of program/incentive options

Option	Advantages	Disadvantages
<i>Direct rebates</i>	<ul style="list-style-type: none"> - Easy to determine eligibility - Easily understood by trade allies - Low admin costs - Simple program tracking 	<ul style="list-style-type: none"> - Limited technologies lend themselves to direct rebates - Need to justify amount of energy savings to value of rebate
<i>Custom rebates</i>	<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
<i>Direct installation</i>	<ul style="list-style-type: none"> - Effective way to get low cost technologies installed, esp. for residential, multifamily, small commercial - Simple tracking and reporting - Private firms available that specialize in this delivery type - Bulk purchasing lowers costs - High participation rates 	<ul style="list-style-type: none"> - Arranging appointments for site visits and quality control of installed measures may be time consuming - Oversight and admin may be costly - Potential liability concerns - High “free ridership” rates
<i>Mail order</i>	<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
<i>Low-cost product giveaways</i>	<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
<i>Contractor/retailer incentives</i>	<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
<i>Financing</i>	<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
<i>Audits</i>	<ul style="list-style-type: none"> - Identifies multiple efficiency opportunities in home/business - Educates customer about energy efficiency 	<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 can be found below.

Utility personnel

A utility can hire personnel to deliver energy efficiency programs to customers. This person or team would be required to design and implement programs for customers, including being responsible for program marketing/promotion, customer 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 sectors. It is extremely important that the 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 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 or direct install programs.

Civic groups

Civic groups can participate in program marketing, energy education of their members, and fund-raising 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. Different customers 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 and retailers/trade allies. A direct installation program uses a combination of customer letters, door hangers, and telemarketing. 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
Door Hangers	Direct Installation	Low/Medium
Telemarketing	Direct Installation	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

Energy education can also be a valuable means to promote increased energy efficiency. These efforts can 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 customers' knowledge and impact their behaviors, but it may also increase their participation in the efficiency programs offered by the utility.

Tracking customer participation data

Tracking and reporting program results data 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 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/contractor
7. Quality control of installations (date performed and results)
8. Customer follow-up required
9. Energy savings from measure installed

Chapter 4 of the A to Z Guide 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 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 and/or dealers?

Special considerations in program design

Customer behavior

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

Residential customers 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 a customer's 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 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 kW".

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

Interestingly, customers 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 testimonials may be an effective marketing approach for influencing decision-makers.

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

Dealing with large customers

Large customer decision-making can be quite different from that of smaller customers. Sophisticated larger customers typically have in-house experts to assist them in evaluating energy efficiency improvements and deciding whether to pursue the project(s). The basis for decisions is often closely tied to return on investment or payback. Some firms may even have cut-offs that only allow an energy efficiency improvement if it pays back within a certain period of time.

When dealing with larger sophisticated customers, there is likely to be 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. In addition, programs that are customized to their particular needs will be of more interest than standardized programs intended to address broad commercial and industrial markets (except perhaps for rebate programs for certain types of measures like electric motors). Both of these factors indicate why it may be best for a municipal electric utility or REC to customize their efforts in the large customer arena or consider contracting with an energy service organization to administer programs for large customers.

Resource acquisition vs. market transformation

Energy efficiency programs are typically classified as either “market transformation” programs or as “resource acquisition” programs. The crucial 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 focus on more immediately achieving quantifiable energy savings rather than systematically trying to change behaviors over the longer term.

It's important to understand that resource acquisition may lead to market transformation, and that both may play a role in successful energy efficiency programs. For example, a utility may offer customer rebates on compact fluorescent light bulbs (resource acquisition) and, over time, the effects are that manufacturers produce a greater market share of CFLs, retailers stock more of the efficient bulbs, prices begin to drop, and customers 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 Program Options

Introduction

Effective programs are based on an understanding of the specific market and customer niche that is being targeted and also take into consideration the resources and experience of those who administer and implement the programs. This section provides an outline of potential programs by customer class that a municipal electric utility or rural electric cooperative might want to consider as part of their Commitment to Community program portfolio.

Residential

Residential customers have fairly standard end-uses and needs that range from the new construction to the retrofit market. 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, etc.
2. An appliance recycling program for secondary, working refrigerators, freezers, room AC units, etc.
3. Rebates for higher efficiency mechanical equipment above the baseline
4. Low-cost direct installs that include both electric and water saving opportunities (i.e. for customers with electric hot water heaters)
5. “Whole house” assessments for electrically heated homes with performance testing and incentives to encourage project completion
6. Energy education, such as a program that focuses on incorporating energy efficiency and/or renewable energy curriculum in local schools
7. A program directed at multi-tenant housing, which could address not only common areas but individual tenant units as well

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.

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

Small to Medium Commercial

The small to medium commercial segments include several different types of businesses which can range from a small office with end uses and usage similar to a residential customer, to restaurants, 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 to 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 or for refrigeration
3. Promotion to encourage installation of LED exit signs in businesses
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 customers (in consultation with the customer) due to the variety of end uses and different decision-making criteria they use. Still, there are some standard type programs that have proven useful and successful for large customers. They include:

1. Incentives towards the purchase and installation of high efficiency lighting
2. Incentives for high efficiency motor replacements
3. Direct install offers or incentives for LED lighting
4. Assistance in a customer's 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.

Agricultural

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

1. Energy assessments that not only includes the barn but also the farm's homestead. Combining an assessment of these two distinct buildings (perhaps with a direct install of low-cost measures) can maximize value to the customer.
2. Incentives for multiple efficiency improvements such as motor replacement, plate coolers, lighting, and potentially a wiring upgrade.
3. In service territories with significant farm concentrations, a program that works with builders and others (such as local equipment retailers and lighting contractors, electricians and milking equipment) 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.

Renewable Energy

A program for customer-sited 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 CTC budget, you may also wish to offer incentives to help pay a portion of the actual project cost.

Program Options

Customer Sector	Technology	Measures to Target
Residential	Lighting	<ul style="list-style-type: none"> - ENERGY STAR compact fluorescent bulbs - ES qualified torchiere lamps - ES qualified light fixtures - ES qualified ceiling fans with lighting - LED holiday lights - LED exit signs (multifamily) - Occupancy sensors (multifamily)
	Appliances	<ul style="list-style-type: none"> - ENERGY STAR clothes washers - Possible other ES qualified appliances - Appliance turn-in for 2nd working refrigerator/freezer - Fuel switch to gas range/dryer
	Water Heating	<ul style="list-style-type: none"> - High efficiency electric water heater - Fuel switch to natural gas - Solar water heater - Tankless water heater - Low flow showerheads, faucet aerators - Load control
	HVAC	<ul style="list-style-type: none"> - High efficiency central AC - Heating system with "ECM" - Geothermal heat pump - 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
Commercial & Industrial	Lighting	<ul style="list-style-type: none"> - Compact fluorescent bulbs & fixtures - High performance/low watt T8 systems - High bay fluorescents - Pulse-start or ceramic metal halide - 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 - ENERGY STAR vending machines/controls - LED lighting in refrigerator cases - Fuel switch to gas heat/water heating - Assessments with recommendations and rebates for making improvements

Program Options, cont.

Customer Sector	Technology	Measures to Target
<i>Agricultural</i>	Lighting	<ul style="list-style-type: none"> - Upgrade to high efficiency fixtures - Pulse-start metal halide or high pressure sodium lighting
	HVAC	<ul style="list-style-type: none"> - Ventilation fan, high volume low speed fan - In-floor radiant heating - Fuel switch to gas water heating
	Other	<ul style="list-style-type: none"> - Low energy livestock waterer - Milk pre-cooler - Variable speed controller for vacuum pump - Heat recovery tank - Assessments with recommendations and rebates for making improvements
<i>Renewable Energy</i>	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
<i>Education & Misc.</i>	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: 2005 Wisconsin Act 141

Appendix B: Example calculations for establishing a CTC fee for various classes and for a customer bill

Appendix C: Annual Report Template

Appendix D: Audit Work Plan

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

Appendix F: PSC Accounting Memo

Appendix G: Deemed Savings Values

Appendix H: PSC Chapter 137: Energy Efficiency and Renewable Resource Programs

Appendix I: Using the PSC Electronic Regulatory Filing System

Appendix J: MEUW / WECA Memo on Opt-In/Opt-Out Deadlines

Appendix K: Commonly Asked Questions

APPENDIX A: 2005 Wisconsin Act 141

Please see the *Wisconsin Legislative Council's Act 141 Information Memo* and *2005 Act 141* provided as separate attachments for your reference.

APPENDIX B: Example Calculation of Establishing a CTC fee for Various Classes and for a Customer Bill

This appendix presents three diverse options for allocating total CTC responsibility among various customer classes. The options presented are:

1. Option 1: Using the same fixed charge for all customers regardless of class
2. Option 2: Allocating responsibility based on program expenditures
3. Option 3: Picking an acceptable per month charge for large customers and assessing the impact on charges for smaller customers or vice versa

This is not an exhaustive list of ways to allocate among classes. The options provided are merely for illustration purposes.

To demonstrate how each of the four options would be applied, a hypothetical utility is used. That utility is assumed to have the following customer mix out of a total 1,946 meters:

- 1629 residential meters
- 304 commercial meters
- 13 industrial meters

The total CTC fund responsibility for this utility is \$31,136 (\$16 x 1,946 meters).

OPTION 1: Equal charge per customer regardless of class

This is the simplest allocation method. Its goal is to calculate a standard charge that is the same for every customer regardless of class. This can be done simply by dividing \$16 (the annual charge per meter) by 12 months to calculate a standard fixed charge of \$1.33 a month per customer.

The disadvantages of this method are that different size customers pay the same monthly charge and it is difficult to reconcile with the rate cap limitations unless the utility tracks charges over the period to ensure that no customer exceeds the rate cap limitations.

OPTION 2: Allocation based on program expenditures by class

The primary driver in this option is the allocation of collected funds to programs. The assumption is that 50% of these funds (\$15,568) will be used for residential programs and 25% each for commercial and industrial programs (\$7,784 for each). As a result, the above sums become the respective required CTC funds responsibility for each class.

Class fixed charges per customer would be derived by dividing each class's respective requirement by the total number of meters in the class. For this example the fixed charge per customer by class would be:

Residential: \$0.80

Commercial: \$2.13

Industrial: \$49.90

The benefit of this option is that it attempts to provide equity by matching collections from a class with program expenditures available for that class. However, it is important to bear in mind that there may be greater energy savings opportunities from one class of customers than another regardless of where the fees were collected, and that savings obtained from any class can benefit all customers through lower rates, local economic development, and other reasons outlined in Chapter 2.

Other potential disadvantages are that depending on the customer mix, it may produce monthly fees that a utility may not like for a variety of reasons. One of these reasons is considered in the next option. Also, as noted for any fixed charge recovery, a specific customer may hit this or her rate cap during the rate limitation period.

OPTION 3: Proceeding if you have a good idea of a charge that you do not want to exceed for a specific class

This option would work if your utility knew of a specific charge that it did not want to exceed for a specific type of customer. Assume that your utility did not want industrial customers to pay more than \$25 per month for whatever reason. Knowing this fact, one can work backward to calculate other classes' revenue responsibilities.

For example, a capped \$25 per month charge for industrial customers for our hypothetical utility would produce an industrial CTC fund contribution of \$3,900 ($\$25 \times 12 \text{ months} \times 13 \text{ customers}$). This would leave \$27,236 to be collected from other classes. Then let's assume that you do not want the residential charge to exceed \$1 per month. In that case the residential class contribution will be \$19,548 ($\$1 \times 12 \text{ months} \times 1,629 \text{ customers}$). This leaves a revenue responsibility to be borne by commercial customers of \$7,688 or a monthly charge of \$211 per customer ($\$7,688 \text{ divided by } 12 \text{ months and then divided by } 304 \text{ customers}$).

As in all of the options, the bottom line is whether the monthly charges by customer class are acceptable to the utility and their compliance with the rate cap limitations. If not, further iterations to produce the best results are possible.

Class revenue requirements and the Percentage of Bill approach

The first four options all employed a Fixed Rate approach to collect the required CTC amounts from customers. However, except for Option 1, this fixed charge did not need to be used in order to establish class CTC revenue requirements. Options 2 through 4 could also have employed a "percentage of bill" approach to calculating per customer charges. For all but Option 1, the establishment of class revenue requirements is independent of how to determine a specific customer charge.

For example, let's assume in Option 4 that the residential class CTC requirement was the residual calculation (i.e. your utility needed to collect \$19,548 from residential customers). Rather than use a fixed charge, your utility could have estimated the class sales revenue for the coming fiscal year and determined what percentage would equal the sum necessary to be collected. If the estimated sales revenue from the residential class was estimated to be \$781,920 then applying a percentage of bill charge of 2.5% to each customer's bill would produce a total of \$19,548 (the required CTC sum).

The keys to establishing class revenue requirements for CTC are likely to be competitive considerations about what neighboring IOUs are charging and attempting to mirror this in equity and fairness.

How meters are defined, counted and charged

The recommended definition of a meter for use in calculating your annual CTC collection target is that established by the federal Energy Information Agency in Form EIA-861. Form EIA-861 requires the reporting of the average number of ultimate consumers served by a utility based on meters.

If you need to verify the number of meters most recently reported to the EIA by the municipal electric utility or REC, go to: <http://www.eia.doe.gov/cneaf/electricity/page/eia861.html>.

1. Select the "Zip" file for the most recent year shown and open as a compressed folder.
2. From the files then shown in the opened folder, select "File2.xls".
3. Once in the spreadsheet, click on "Data" from the toolbar at the top of the screen. From the drop-down box that appears select Filter, then Auto Filter.
4. This filtering process creates drop-down boxes with small arrows in each column heading. In column C titled "Utility_Name", click the arrow and scroll down to select the name of your municipal electric utility or rural electric cooperative.
5. You should now be viewing only the data for your municipal electric utility or REC. The last column W shows the total number of consumers/meters. (To view the breakout of consumers/meters by customer class, expand the column header widths to see the title of each. Residential should be column K, Commercial in column N, Industrial in column Q and Transportation in column T.)

The EIA definition is recommended because it attempts to equate "meters" with "consumers" served by a utility. The EIA explains which meters a utility should count in order to determine the numbers of ultimate consumers.

- For the residential class, do not duplicate the consumer accounts due to multiple metering for special services (i.e. water heating etc.)
- For public street and highway lighting, count all poles in a community as one.

In essence, every electric bill sent to a customer is equal to one customer/meter.

The following meters should not be included in calculations:

- Special meters such as those used to record usage only for billing purposes (direct water heater load control meters or yard light are *not* to be counted as a meter for purposes of determining the number of consumers because there is no customer or facilities charge that accompanies this meter for collection purposes).
- Meters that are not directly served by your utility (e.g. behind a master meter in a multi-tenant building)
- If service is provided without charge
- More than one meter for public street and highway lighting

So for example, if the utility bills for interdepartmental service, those meters should be counted in calculating the total number of meters to multiply by \$16. Or if your community has two McDonald's franchises, the meters for each should be counted for purposes of calculating the annual CTC collection target. On the other hand, if the utility bills a landlord through a master meter for service, any billing meters behind the master meter should not be counted for calculating the annual CTC collection target.

The appropriate reported number of meters on your EIA form should be multiplied by \$16 to calculate your annual CTC collection target. While a municipal utility or REC must charge its customers this total amount on an annual basis, it has the discretion to charge different amounts to different classes of customers. For example, as shown in Appendix B, a collection fee for the residential class of customers may be different from the collection fee charged the commercial class of customers.

Remember that no customer can pay more than \$750 per month toward the annual CTC collection target under any circumstances. If a utility is concerned about how to deal with customers who have multiple meters, it can arrange its collection schedule to limit the charge for such a class of customers to some lower number. (Example: if a customer has more than one meter, the first meter pays the full amount; the second meter pays some lesser amount and so on; or no customer will be charged for more than five meters regardless of how many they actually have.)

As another example, a utility may have eight customers who have 16 meters; one customer has five meters, five of the customers each only have one meter, and the other two customers each have three meters. The annual CTC collection target is \$256 (16 meters x \$16).

Possible ways for the utility to collect this annual CTC collection amount include:

- A per meter basis where the first customer pays \$80 per year, the next 5 customers each pay \$16 per year, and the remaining 2 customers each pay \$48 per year.
- A per customer basis regardless of the number of meters each customer had. This would mean that each customer would pay \$32 per year.
- A mixture of the two methods above, as long as customers within the same class are not treated in a discriminatory manner. The utility can design the collection of its charges to achieve whatever scheme is thought to be fair and equitable as long as the charges provide the opportunity for the required annual CTC collection target to be recovered.

APPENDIX C: Annual Report Template

Introduction

The Commitment to Community (CTC) provisions of 2005 Wisconsin Act 141 promote innovation, flexibility and local control of energy efficiency and low-income energy assistance programs, while encouraging economic development. CTC programs afford customers of municipal utilities and retail electric cooperatives the opportunity to shape, contribute and participate in programs that address the specific energy needs and interests of the local community. The CTC provision was developed to provide another option for those utilities not interested in joining Focus on Energy or the Department of Administration's (DOA) Low Income Program.

The general goals of Commitment to Community Programs are as follows:

Energy Efficiency Program Goals

- Save energy and limited natural resources.
- Lower energy costs for consumers.
- Reduce need for additional generation and infrastructure construction.
- Preserve the environment by reducing power plant emissions.
- Contribute to electrical grid reliability.
- Support community businesses and organizations as far as practicable.
- Educate consumers, students and teachers about energy choices.

Low Income Program Goals

- Reduce long-term energy cost burden for low-income households.
- Prevent energy crises and proactively identify at-risk customers.
- Avoid shut-off of services.
- Provide outreach to low-income customers to aid in identification and referral.
- Build customer trust and confidence to promote open communication.
- Educate consumers about energy choices and budgeting.

Funding

Funding for CTC programs is based on the municipal utility or retail electric cooperative collecting an amount equal to an annual average of \$16 per meter. Of the amount collected, 50% shall be devoted to Energy Efficiency programs and 50% to Low Income programs. The Public Service Commission of Wisconsin (Commission) may ask for clarification if the estimated amount based on the meter number differs significantly from the actual amount collected.

The following is an example of the level of funding required and the allocation to Energy Efficiency and Low Income programs.

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

Reporting Requirements

Act 141 requires each municipal utility or retail electric cooperative which elects the Commitment to Community option to:

1. Submit your 2010 annual report to the Commission by May 2, 2011. This satisfies the reporting requirements set forth in section 16.957(5) (g) of Act 141. Municipal utilities and retail electric cooperatives only have to file a report for the Commitment to Community program they are running.

For example: if your municipal utility or retail electric cooperative is enrolled in Focus on Energy but running their own CTC program for low income, you only need to fill out the low income portion of the report. Municipal utilities or retail electric cooperative that may have joined either of the statewide programs mid-year will need to check with PSC/DOA regarding reporting requirements.

2. Have an independent audit completed for their program and submit the results with the annual report.
3. Provide the Public Service Commission with contact info (name and e-mail) for CTC reporting when it changes.

Report Definitions

The below terms are used in the CTC report.

Program Administration*: These are costs incurred for general administration such as report preparation, program development, financial management, and incentive processing. Administrative costs up to 5% of the annual program expenditures are considered reasonable.

Program Delivery*: This includes expenses from interaction directly with customers, site visits, etc.

*** Please note that municipal utilities and RECs are given the option of separating program delivery and program administrative costs based on actual time charged if the information is available. If not, the utility or REC can either charge everything to program admin or offer an estimate of how the CTC operating expenses are divided among the two functions. (The report should reflect which method is used.) Reporting all operating expenses under program administration has the potential of making the program appear less efficient than may actually be the case so it is to the utility's benefit to at least make a reasonable estimate across program admin versus program delivery. Separation of admin and delivery costs will be required for the 2011 program year.**

Marketing: These expenses are for costs paid directly to advertisers, sponsorships, brochure printing, etc.

Incentives: Expenditures that directly result in lower costs for the customer. These can be product buy downs, instant rebates, mail in rebates, etc.

Wholesale Supplier Credit: Credit for Commitment to Community expenses incurred by the wholesale power supplier which are passed on through wholesale power costs. Act 141 allows municipal electric utilities and RECs this option.

Load Management: Control of energy consumption at any instant through the use of mechanical or electronic devices or conscious consumer limitations on the use of energy-consuming devices.

Subcontractors: An organization or individual hired by the utility to provide program delivery or program administration to the CTC program. Any subcontractors hired should be listed on the financial summary sheet under the appropriate expense row. Example 1: Program Administration (utility staff and Company ABC)

Report Filing

Templates have been developed that will satisfy the CTC reporting requirements. All utilities electing the CTC option are required to use these templates. The deadline for the report submittal for calendar year 2010 is May 2, 2011. Please follow the below steps when preparing your report.

Steps:

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, financial summary, and expenditure detail. Use the templates provided by the Commission. The program summary template currently has sample programs listed to give filers an understanding of the program detail that is required. Delete or change these as needed.
3. Some additional reporting needs to be included for utilities funding Voluntary Programs. These are programs utilities elect to run in addition to their CTC requirement. For these programs, please create copies of the program summary and financial summary tabs and label them as voluntary. Modify and complete as necessary.
4. Round all numbers to the nearest dollar. Ex. \$2,048.65 should be reported as \$2,049.
5. 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.
6. 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.
7. The second document will be in an Excel format and include the completed 2010 CTC report template (all three tabs). The ERF description field should be labeled as follows "2010 CTC-[enter utility type]-[enter utility name]-Report.

8. If there is a need for a revised report to be submitted, the new document should be labeled “2010 CTC Report-[enter utility type]-[enter utility name]-R1”. R1 designates the revision number.
9. 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: 2010 CTC-Municipal Electric Provider-ABC Water Works and Lighting Utility-Letter&Audit

Correct: 2010 CTC-Muni-ABC-Letter&Audit

10. The information submitted will be compiled into a report which covers all Wisconsin’s initiatives. Upon completion, this report will be sent to the legislature.
11. The report is due no later than May 2, 2011.

Please contact Greg Laubmeier at the PSC with any questions on the CTC report templates or filing instructions: 608-266-5990 or greg.laubmeier@wisconsin.gov.

Additional Tips for Completing the Annual Report

Miscellaneous:

- Electronic letterhead for the municipal electric utility or REC preparing and filing the Annual Report should be used for the cover letter if available.
- Take note of which cells in the Excel worksheets already contain formulas to calculate totals as data is entered in other places. Do not change the formulas that are in place.
- Verify that data such as participation numbers, energy savings totals, and incentives is consistent between the Financial Summary and Expenditure Detail tabs.
- Some cells within the Financial Summary and Expenditure Detail worksheets show a small red triangle in the upper right corner. These red triangles denote instructional comments. To read the comments, simply hover (do not click) the cursor over the triangle and a text box will appear.
- When adding or removing either programs or measures (individual products or services included as part of a program) within the Expenditure Detail worksheet, 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:

- It is not necessary to report on the total number of participants by measure type.
- Enter the total number of participants in each individual program.

- Participant subtotals will automatically be calculated as individual program values are entered. (Making changes to the spreadsheet such as adding or removing entire programs may necessitate that the subtotal formulas be updated.)

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.
- Quantity subtotals for each program will automatically be calculated as individual measures quantities are entered.

Per Unit Deemed kWh / Per Unit Deemed kW:

- “Deemed” means a particular measure has an energy savings value that has already been independently evaluated and provided by the PSC. For each measure, check the Deemed Savings spreadsheet in Appendix G to see if kWh and/or kW savings has been attributed to that measure.
- If the measure is on the PSC’s Deemed Savings spreadsheet, manually enter the kWh and/or kW savings into the appropriate Per Unit Deemed kWh and Per Unit Deemed kW columns.
- If the measure is *not* included in the Deemed Savings spreadsheet in Appendix G, enter “N/A” in the two columns for Deemed kWh and Deemed kW on the line corresponding to that measure.
- Marketing & Education, Load Management and certain Low Income Assistance Programs will not have any Deemed Savings or Claimed Savings values reported.

Per Unit Claimed kWh / Per Unit Claimed kW:

- For measures not shown in the Deemed Savings spreadsheet you must determine what, if any, energy savings may be reasonably claimed for the measure.
- If no savings will be claimed for a measure, enter “0” (zero) in the two columns for Claimed kWh and Claimed kW savings.
- If an estimated energy savings value is to be claimed for a measure not on the Deemed Savings spreadsheet, enter the kWh savings under Per Unit Claimed kWh and enter the kW savings under Per Unit Claimed kW.
- Any measures with a reported claimed savings value **must** be accompanied by documentation showing how the savings value estimates were derived. This documentation may be provided as a footnote or separate attachment.

Total kWh / Total kW:

- To determine the Total kWh for a measure, enter a formula in the column to multiply the Quantity of that measure times either the Deemed or Claimed kWh – whichever was applied for that measure.
- To determine the Total kW for a measure, enter a formula in the column to multiply the Quantity of that measure times either the Deemed or Claimed kW – whichever was applied for that measure.
- The kWh and kW subtotals will automatically be calculated throughout the spreadsheet as individual measure values are entered. (Again, making changes to the spreadsheet such as adding or removing entire programs may necessitate that the subtotal formulas be updated.)

Incentives Paid:

- Enter the total amount of customer incentives paid by each program. Do not enter incentive values for each individual measure on the Spending Detail worksheet but be sure to include this information in the written program descriptions included in the Annual Report Summary document.
- The Incentives Paid column should include customer 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, include the full price paid by the municipal electric utility or REC for the measure in the Incentives Paid column.
- Under the section for Marketing & Education Efforts, the “Incentives Paid” column has been renamed as “Funds Spent” to more accurately reflect the amount of CTC funds spent on marketing, education or other outreach activities as opposed to direct customer incentives.
- Under the sections for Load Management and Low Income Assistance, the “Incentives Paid” column should include equipment costs, incentives paid to customers and any other direct program-related expenses. This column should *not* include expenses related to administration or marketing.

Total All Commitment to Community:

- At the bottom of the Spending Detail worksheet is a final subtotal line to calculate *all* CTC program participants, kWh savings, kW savings and incentives/funds spent.
- The “Total All Commitment to Community” subtotals contain Excel formulas that will automatically calculate as individual values are entered throughout the spreadsheet. However, as with other subtotal formulas, making changes to the spreadsheet such as adding or removing programs will require that you verify and/or fix the formulas to ensure the correct data is being captured.

APPENDIX D: 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 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. The report has been designed so as not to be overly-burdensome on program participants. The report has also been designed for ease of evaluation by the PSC.

This report has been developed with the cooperation of various organizations as well as numerous independent auditors.

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 are able to be reimbursed through CTC revenues.

Upon completion of the engagement, the auditor will then send the report to the municipal utility or REC member. *It is then the responsibility of the municipal utility or REC member 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 which is 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 may be 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 able to be used 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, 2010 – December 31, 2010.

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

Public Service Commission of Wisconsin
ATTN: Carol Stemrich
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, 2010 through December 31, 2010. 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 2, 2011
 - 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 internal cost allocation does not exceed 5% of total annual revenues.
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 E: Sample “CTC-1” Informational Tariffs on CTC Fees for Filing with the PSC

Introduction

The Public Service Commission of Wisconsin requires that each municipal electric utility have an approved tariff on file at the Commission that explains and lists its Commitment to Community (CTC) fees. All MEUW Members should already have one such approved tariff (PB-1) on file with the PSC. The new tariff, which will replace “PB-1”, will be called “CTC-1”. The Commission has requested that each MEUW Member seek approval of a new CTC-1 Tariff (replacing the PB-1 Tariff) by Monday, June 30, 2008.

Background

The Commission 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). Now, based on more recent changes to State law (2005 Wisconsin Act 141), the Commission requests that each MEUW Member seek approval of a new “CTC-1 (Commitment to Community) Tariff” by June 30, 2008. These tariffs designate by customer class how your utility collects an annual average of \$16/meter from your customers for energy efficiency and low-income assistance programs. Unless your utility has revised the collection method or schedule for these fees, there will not be any significant changes in the new tariff.

Instructions for Seeking Approval of New Tariff

The following steps must be completed by each municipal electric utility. The three sample “CTC-1” informational tariffs (created in WORD), each listing a different CTC fee calculation method, were reviewed and approved by the PSC on March 25, 2008. Please review all three and compare it with your utility’s current PB-1 Tariff. Then, using the PSC’s ERF (Electronic Regulatory Filing) system, submit a letter to the Commission by Monday, June 30, 2008, seeking approval of a new CTC-1 Tariff. Attach either a revised CTC-1 Tariff or explain whatever modifications need to be made to your utility’s existing PB-1 Tariff (e.g., new utility contact name, new telephone number, revised fee schedule, etc.). Unless requested otherwise, the Commission will assume that the effective date for the new CTC-1 Tariff will be the date of issuance. The Commission will respond by sending your utility a copy of the approved CTC-1 Tariff for your utility.

__[UTILITY NAME]__

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

[Select one of the following three paragraphs to reflect your utility’s decision, and then delete the remaining two]

__[Utility Name]__ has elected to spend 100 percent of the low-income assistance and energy efficiency fees collected from its retail electric customers to support local Energy Efficiency and Low Income Commitment to Community Programs.

[or]

__[Utility Name]__ has elected to spend 50 percent of the low-income assistance and energy efficiency fees collected from its retail electric customers to support local Energy Efficiency Commitment to Community Programs, and to send 50 percent to the State of Wisconsin to participate in the State’s low-income energy assistance programs.

[or]

__[Utility Name]__ has elected to send 100 percent of the low-income assistance and energy efficiency fees collected from its retail electric customers to the State of Wisconsin to participate in the State’s Focus on Energy and low-income energy assistance programs.

Questions regarding low-income assistance and energy efficiency fees or __[Utility Name]__’s Commitment to Community Programs should be directed to __[Utility Contact Name]__ at __[Utility Phone Number]__.

__[UTILITY NAME]__

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	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

[Select one of the following three paragraphs to reflect your utility’s decision, and then delete the remaining two]

__[Utility Name]__ has elected to spend 100 percent of the low-income assistance and energy efficiency fees collected from its retail electric customers to support local Energy Efficiency and Low Income Commitment to Community Programs.

[or]

__[Utility Name]__ has elected to spend 50 percent of the low-income assistance and energy efficiency fees collected from its retail electric customers to support local Energy Efficiency Commitment to Community Programs, and to send 50 percent to the State of Wisconsin to participate in the State’s low-income energy assistance programs.

[or]

__[Utility Name]__ has elected to send 100 percent of the low-income assistance and energy efficiency fees collected from its retail electric customers to the State of Wisconsin to participate in the State’s Focus on Energy and low-income energy assistance programs.

Questions regarding low-income assistance and energy efficiency fees or __[Utility Name]__’s Commitment to Community Programs should be directed to __[Utility Contact Name]__ at __[Utility Phone Number]__.

__[UTILITY NAME]__

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	\$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

[Select one of the following three paragraphs to reflect your utility’s decision, and then delete the remaining two]

__[Utility Name]__ has elected to spend 100 percent of the low-income assistance and energy efficiency fees collected from its retail electric customers to support local Energy Efficiency and Low Income Commitment to Community Programs.

[or]

__[Utility Name]__ has elected to spend 50 percent of the low-income assistance and energy efficiency fees collected from its retail electric customers to support local Energy Efficiency Commitment to Community Programs, and to send 50 percent to the State of Wisconsin to participate in the State’s low-income energy assistance programs.

[or]

__[Utility Name]__ has elected to send 100 percent of the low-income assistance and energy efficiency fees collected from its retail electric customers to the State of Wisconsin to participate in the State’s Focus on Energy and low-income energy assistance programs.

Questions regarding low-income assistance and energy efficiency fees or __[Utility Name]__’s Commitment to Community Programs should be directed to __[Utility Contact Name]__ at __[Utility Phone Number]__.

APPENDIX F: PSC Accounting Memo

Please see the PSC's *Municipal Act 141 Accounting Memo* provided as a separate attachment for your reference.

APPENDIX G: Deemed Savings Values

Please see the PSC's *Deemed Savings* spreadsheets provided as a separate attachment for your reference.

APPENDIX H: PSC Chapter 137: Energy Efficiency and Renewable Resource Programs

Introduction

In July 2007, the PSC created a new chapter of its administrative code that covered some of the Commission's new energy efficiency and conservation responsibilities pursuant to 2005 Wisconsin Act 141. Of particular importance to this Guidebook is PSC 137.06 (*Procedures to receive contributions from municipal utilities and retail electric cooperatives*).

Please see *PSC Chapter 137* provided as a separate attachment for your reference.

APPENDIX I: 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 and has been included in the A to Z Guidebook as a separate attachment for your reference.

Each electric cooperative should use its utility number to create an account. Also, several people within the cooperative may set up individual accounts with their own login and password (rather than setting up a corporate account). This makes it easier should those individuals leave and someone else would file the reports.

APPENDIX J: MEUW / WECA Memo on Opt-In/Opt-Out Deadlines

In September 2009, MEUW and WECA each distributed to their respective members an email communication provided by the PSC, which outlined the status of the Opt-In / Opt-Out process for municipal electric utilities and rural electric cooperatives as it relates to participation in the statewide Focus on Energy program.

Please see *PSC Fall 2009 Update* provided as a separate attachment for your reference.

APPENDIX K: 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, the logical approach would be to roughly equate 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, the perceived value of a program or product is lowered and installation rates are decreased. Historically, customers 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 receiving free or very low cost energy audits typically have lower project implementation rates than those with a co-pay towards 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.

For example, the incentive calculation for an ENERGY STAR qualified CFL (compact fluorescent bulb) purchased with a mail-in coupon may look something like:

$$43.5 \text{ (deemed kWh savings)} \times \$0.04 = \$1.74$$
$$.0031 \text{ (deemed kW savings)} \times \$125 = \$0.39$$

$$\$1.74 + \$0.39 = \$2.13 \text{ (Approximately a \$2 incentive would be offered.)}$$

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 towards 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 ultimate goal should be to spend roughly the same amount of money as what had been collected for CTC each year although, understandably, it would be nearly impossible to achieve a zero sum. 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 relatively nominal and should not continue to accumulate year after year. If the pot 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 participation.

Second, if excess funds are being 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 smaller carryover amount of \$1,000 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 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? Could a local school be assisted with a renewable energy installation?

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 and based on potential for behavioral change (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. The reasoning is that any potential energy savings would come from unverifiable behavioral change rather than the item itself.

For example, there is value in recommending that customers turn off the lights when leaving a room but there is no way to accurately report on how many people are heeding the advice or estimate energy savings directly resulting from their changes. Likewise, items like water temperature cards may be used to build awareness of energy saving opportunities but won’t create the savings on their own. If you wish to affect lighting energy use that can be reported in terms of actual savings, products like CFLs or occupancy sensors may be good choices. To reduce home heating energy use in a way that can be reported as savings, consider incentives on the heating system itself, improvements made to the home’s insulation or even an assistance program to help customers properly set their programmable thermostats.

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

Yes, PSC staff have opined that late fees should be applied to CTC customer 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 the statewide Focus on Energy program, the customer’s payment of late fees on their CTC charges should stay with the utility and not be sent to Focus on Energy).