

From: "Norcross, Robert - PSC" <Robert.Norcross@wisconsin.gov>
Date: October 19, 2011 2:02:33 PM CDT
To: "burke@fullspectrumssolar.com" <burke@fullspectrumssolar.com>
Subject: FW: Burke O'Neal VIP

Dear Mr. O'Neal,

The Commission appreciates hearing your perspective on the Focus on Energy renewable programs. While I understand your concerns, changes to the renewable programs are necessary to ensure their sustainability in the long run. Administrative rules require that the portfolio of Focus on Energy programs achieve a cost-benefit ratio of at least 1.0, based on the Total Resource Cost test. With the exception of biomass, no renewable resource measure meets this criteria. In the past, inclusion of non-cost-effective renewable resources was deemed appropriate as the goal of Focus on Energy was to assist in building the renewable infrastructure. Previously, this has not greatly affected the cost-effectiveness of the overall portfolio of programs because renewable projects were a fairly small component of Focus on Energy. However, in 2011 there was a significant increase in renewable projects approved. This resulted in about twice the entire 2011 renewable budget being committed by mid-year. It also put the entire Focus on Energy program in jeopardy of not being cost-effective.

Additionally, as part of the Commission's energy efficiency and renewable resource planning process, it determined that renewable resources should be evaluated on the same basis as energy efficiency. The Commission recognized that renewable resources have some attributes that are not adequately reflected in the standard benefit-cost tests. It therefore determined that public policy should dictate the extent to which renewable resources that are not cost-effective should be included in the portfolio of programs. Within the next few weeks the Commission will take up guidelines that are to be used by the program administrator in determining which renewable resources will be included in future programs. Specific decisions regarding renewable measures cannot be made until these guidelines are approved by the Commission. In addition, the Commission's initial decisions in its energy efficiency and renewable resource planning process were based on a level of funding that will not now be available for the Focus on Energy programs. Because of this the Commission will revisit several decisions it made in the planning process. One of the decisions that will be revisited is the basis for the avoided costs to be used in the cost-effectiveness tests. The decision the Commission makes on the appropriate avoided costs to use will impact the cost-effectiveness of both renewable resources and energy efficiency measures. While it is unlikely that any decision the Commission will make will result in the additional renewable resource measures being cost-effective, a higher value for avoided costs would increase in the cost-effectiveness of energy efficiency measures, which would allow for greater inclusion of non-cost-effective renewable resource measures, again based on the standard tests in the portfolio of programs. It is expected that the Commission will address this issue before the end of the year.

Renewable energy resources will be a component of Focus on Energy programs in the future. It is required by statute. However, Shaw, the current Focus on Energy program administrator, cannot determine the extent to which renewable resources will be included until after the Commission makes the policy decisions described above. Shaw also needs to have information regarding the cost-effectiveness of the specific energy efficiency programs that will be offered, as a result of the rebids, before it can determine how many resources can be devoted to

renewable energy projects while still meeting the required program portfolio cost-effectiveness threshold. As you are aware, Shaw is rebidding the Focus on Energy programs in several phases. While new residential programs will be offered beginning January 1, 2012, new business programs will not be available until spring. Phasing the rebids allows for an orderly transition.

Regarding the Solar Wisconsin meeting on October 25, 2012, my understanding is that Shaw will have at least two representatives in attendance. Shaw has been working with the organizers of the event to ensure appropriate questions and concerns regarding the future of renewable resources in the Focus on Energy programs are addressed.

If you have any further questions, please contact Carol Stemrich of my staff at carol.stemrich@wisconsin.gov or 266-8174.

Sincerely,
Robert Norcross, Administrator
Gas and Electric Division, PSC