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## WISCONSIN LEGISLATIVE COUNCIL ACT MEMO

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**2007 Wisconsin Act 17**  
[2007 Senate Bill 179]

**Allocation of Costs Associated With  
Energy Efficiency and Renewable  
Resource Programs**

**Prior Law and 2005 Wisconsin Act 141**

Under the 2003 statutes, large energy utilities were required to make payments to the state to fund statewide energy efficiency and renewable resource programs. The utilities recovered the cost of these payments from their customers in charges for utility service. 2005 Wisconsin Act 141 changed the structure of such programs, requiring the utilities to contract with a third party to administer the programs and to pay the administrator directly, rather than passing the payment through the state. It specified that each utility spend 1.2% of its annual operating revenues for this purpose. The requirements of Act 141 apply to *all* energy utilities, not just large energy utilities.

In making the transition to the new program structure, Act 141 also directed the Public Service Commission (PSC) to develop a proposal for the equitable allocation of the cost of the programs among individual ratepayers in the various customer classes. The problem this aimed to correct is the fact that similarly situated customers, especially large energy customers, were often treated differently by different utilities. Act 141 sought to “ensure that customers of an energy utility within a particular class are treated equitably with respect to customers of other energy utilities within the same class.” [s. 196.374 (5) (bm) 1., Stats.]

As a first step in bringing about this new, more equitable allocation of program costs, Act 141 specified that the amount that a large energy customer, as specifically defined, must pay toward this cost is the average monthly amount that customer paid for that purpose in 2005.

**Problem Created by Act 141**

Under the 2003 statutes, small energy utilities did not contribute toward the cost of statewide energy efficiency and renewable resource programs. Consequently, when Act 141 capped the amount

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This memo provides a brief description of the Act. For more detailed information, consult the text of the law and related legislative documents at the Legislature’s Web site at: <http://www.legis.state.wi.us/>.

that a large energy customer must pay toward this cost at the average monthly amount it paid for that purpose in the 2005, it had the effect of setting the contribution of a large energy customer of a small energy utility at \$0. One result of this is that the small energy customers of a small energy utility would be required to pay the entire amount of that utility's share of the cost of energy efficiency and renewable resource programs. In one instance, this would cause the monthly bills of the small customers of a small utility to increase, on average, more than 80%; in two other instances, the effect would be slightly more than 1%.

### **2007 Wisconsin Act 17**

2007 Wisconsin Act 17 specifies that, in calculating the amount that a small energy utility must spend on energy efficiency and renewable resource programs (1.2% of annual operating revenues), it may not consider the revenues it receives from a large energy customer. This treatment applies only until the PSC's energy efficiency and renewable resource program cost allocation plan, described above, takes effect.

The act has three practical effects. Until the PSC's energy efficiency and renewable resource program cost allocation plan takes effect:

1. The small energy customers of a small energy utility are protected from the increase in monthly bills described above;
2. The large energy customers of a small energy utility do not contribute to the cost of energy efficiency and renewable resource programs; and
3. The total revenues spent annually on energy efficiency and renewable resource programs is reduced by approximately 1%.

***Effective Date:*** July 1, 2007

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