



WISCONSIN LEGISLATIVE COUNCIL AMENDMENT MEMO

2005 Senate Bill 459

**Engrossed Bill:
Senate Substitute Amendment 1
as Amended by
Senate Amendment 1**

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Engrossed Senate Bill 459 relates to programs that promote energy efficiency and energy that is derived from renewable resources. It is based generally upon recommendations contained in the *Final Report of the Governor's Task Force on Energy Efficiency and Renewables*, October 2004.

Energy Efficiency and Renewable Resource Programs

Under **current law**, energy utilities fund statewide energy efficiency and renewable resource programs. The funding is in two forms, a fee that appears on customers' bills and an additional charge that is embedded in the charges for utility service. The imbedded portion is based on amounts the utilities spent in 1998 on similar programs; the fee is in addition to that. The funds are deposited in the Utility Public Benefits Fund and are used to pay private program administrators with whom the Department of Administration (DOA) contracts to administer the programs. The DOA oversees the programs under rules it has promulgated.

The **engrossed bill** creates a new structure for these programs. Under the engrossed bill, the utilities contract collectively with program administrators to administer statewide programs. The utilities are required to spend 1.2% of their annual operating revenues to fund the programs. The engrossed bill allows utilities and utility customers to conduct separate programs. The PSC oversees the statewide, utility-administered and customer programs, under rules.

The **engrossed bill** prohibits the PSC from requiring a utility to fund or administer energy efficiency or renewable resource programs in addition to those described in the preceding paragraph.

Under **current law**, the amount of the fee for any individual customer in any month is capped at the lesser of 3% of all charges on the bill or \$750; the amount that is embedded in the charges for utility service is not capped. The **engrossed bill** freezes the amount a large customer may be billed for embedded costs of the new programs and directs the PSC to submit policy recommendations to the Governor and the Legislature regarding the recovery of program costs by utilities.

Under *current law*, municipal electric utilities and rural electric cooperatives conduct their own energy efficiency and renewable resource programs, termed “commitment-to-community” programs. The *engrossed bill* does not affect these programs except to require audits and more detailed reporting by these programs than under current law.

Low-Income Energy Assistance Programs

Under *current law*, the DOA administers low-income energy assistance programs funded in the same manner as the current energy efficiency and renewable resource programs, that is, through a fee and an additional charge embedded in the cost of utility service. The *engrossed bill* does not affect these programs except to establish that the state share of funding is all from a single fee on utility customers’ bills, and to require that the fee be shown as a separate line on the bill.

Renewable Portfolio Standard

Current law requires electric utilities and rural electric cooperatives (termed “electric providers”) to sell a minimum amount of electricity from renewable resources to their customers, reaching its highest level, 2.2% of all electricity sold at retail, in 2011. This policy is termed a “renewable portfolio standard” or “RPS.” An electric provider that sells more than the required amount of renewable electricity creates credits, which the electric provider may bank for future use or sell.

The *engrossed bill* creates a more ambitious standard, requiring electric providers to increase the amount of renewable electricity they sell two percentage points above their current level by 2010 and six percentage points above their current level by 2015. It also allows an electric provider, a “wholesale supplier” (a wholesale entity that supplies electricity to municipal utilities or cooperatives), or a customer of an electric provider to petition the PSC for a one-year extension of a compliance deadline for any of several reasons. The *engrossed bill* also provides more detail regarding the trading of renewable resource credits.

The *engrossed bill* prohibits the PSC from imposing any requirement on an electric provider to fund or administer a renewable resource program that is in excess of the requirements of the RPS and the statewide programs.

State Energy Policy

Under *current law*, the PSC is required to implement a priority list of energy sources in making all energy-related decisions and orders. Under the *engrossed bill*, in a proceeding in which an investor-owned electric utility or a wholesale supplier is party, the PSC is prohibited from imposing any requirement on the utility or wholesale supplier regarding:

- Energy efficiency, if both the PSC and the applicant have fulfilled all of their respective responsibilities with regard to the statewide energy efficiency and renewable resource programs.
- Renewable resources, if the PSC has fulfilled all of its responsibilities in administering the RPS and the applicant is in compliance with the RPS.

In addition, when reviewing a request for approval to acquire or construct an electric transmission facility, the PSC may not impose conditions on the utility or wholesale supplier.

State Facilities and Codes

The *engrossed bill* requires the DOA to set, essentially, an RPS for energy *use* in the facilities of the six state agencies that use the largest amounts of electricity, with the goal that, by 2011, 20% of the energy used by those facilities will be from renewable resources. It also directs these agencies to develop energy cost reduction plans that identify opportunities to increase the efficiency of energy use in their facilities and options other than general purpose revenues to finance the efficiency improvements.

The *engrossed bill* directs the DOA to create special energy standards for state building projects and state purchases of energy-consuming equipment, and to utilize geothermal technologies for space and water heating in state facilities to the extent cost-effective and technically feasible.

The *engrossed bill* directs the Department of Commerce to review its energy efficiency code on a three-year cycle, as opposed to the current five-year cycle, and to consider incorporation of specified efficiency standards in the code.

Other Provisions

In other provisions, the *engrossed bill*:

- Directs the Department of Agriculture, Trade, and Consumer Protection to include in its 2007-09 biennial budget request to the DOA a proposal to provide additional funding to specified programs for the research and development of anaerobic digestors.
- Directs the DOA to conduct a pilot program during the 2006-07 winter heating season to determine the feasibility and cost-effectiveness of using equipment that burns corn plant matter for residential space heating and to report its findings to the Legislature.

Effective Dates

In general, the act takes effect on July 1, 2007. Certain provisions, including the treatment of the RPS and provisions affecting state facilities and codes, take effect on the day after publication.

History

Both 2006 Senate Bill 459 and Senate Substitute Amendment 1 were introduced by the Senate Committee on Energy, Utilities and Telecommunications Technology.

On February 15, 2006, the Senate Committee on Energy, Utilities and Telecommunications Technology voted to recommend adoption of Senate Substitute Amendment 1 and passage of Senate Bill 459, as amended, on votes of Ayes, 5; Noes, 0.

On February 21, 2006, the Senate adopted Senate Substitute Amendment 1, as amended by Senate Amendment 1, on voice votes and passed the bill, as amended, by a vote of Ayes, 32; Noes, 1.

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