



STATE OF WISCONSIN

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Janice Mueller
State Auditor

DATE: March 2, 2011

TO: Senator Robert Cowles and
Representative Samantha Kerkman, Co-chairpersons
Joint Legislative Audit Committee

FROM: Janice Mueller *Janice Mueller*
State Auditor

SUBJECT: Proposed Audit of Focus on Energy Program—Background Information

At your request, we have gathered some background information the Joint Legislative Audit Committee may find useful in considering an audit of the Focus on Energy program, the state's energy efficiency and renewable resource program. Statutes require the program to address the energy needs of individuals, local governments, and commercial, industrial, and agricultural businesses. Statutes give authority for program oversight and rule promulgation to the Public Service Commission (PSC).

A number of private entities are involved in the operation of Focus on Energy. Under 2005 Wisconsin Act 141, investor-owned electric and natural gas utilities are collectively responsible for operating statewide energy efficiency and renewable resource programs. The energy utilities formed the Statewide Energy Efficiency and Renewable Administration (SEERA), a nonprofit corporation, which has contracted with the Wisconsin Energy Conservation Corporation, another nonprofit corporation, for program administration. The contract expires in March 2011, and a process is currently underway to select an administrator for the new contract. Other private contractors serve as the program's fiscal agent, conduct related research and training, evaluate energy savings, and verify compliance. Our ability to complete this audit will depend on our access to relevant records held by entities involved in program operations, as well as their cooperation with our efforts.

In calendar year 2009, program expenditures totaled \$96.1 million. Approximately 57 percent was spent on financial incentives for individuals, local governments, and businesses to purchase and install energy-efficient equipment and improvements, approximately 33 percent was spent to provide information to individuals, local governments, and businesses, and approximately 10 percent was spent on marketing and administration. Historically, about 60 percent of the Focus on Energy program budget has been allocated to entities included in the business programs, and the balance allocated to residential programs.

Through 2010, each energy utility was required to spend 1.2 percent of its annual operating revenues to fund the program; these revenues totaled \$85.7 million in 2009. In December 2010, the Joint Committee on Finance approved an order by the PSC to require utilities to instead make

predetermined annual contributions, starting at \$120 million in 2011 and increasing to \$256 million by 2014. Because these contributions are passed through to utility rate payers, concerns have been raised about the program's benefits and costs.

Assuming we obtain full cooperation and are provided with unrestricted access to program records, an audit of the Focus on Energy program could include an analysis of:

- program revenues and expenditures;
- trends in program participation by individuals, businesses, and other eligible participants;
- the types and amounts of financial incentives provided by the program;
- how the PSC executes its oversight responsibilities and determines utility contributions;
- the effects of the increased contributions on utility rates; and
- the program's benefits.

I hope you find this information helpful. If you have additional questions, please contact me.

JM/KW/bm

cc: Senator Mary Lazich
Senator Alberta Darling
Senator Kathleen Vinehout
Senator Julie Lassa

Representative Kevin Petersen
Representative Robin Vos
Representative Andy Jorgensen
Representative Jon Richards

Lauren Azar, Commissioner
Public Service Commission

Eric Callisto, Commissioner
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Mark Meyer, Commissioner
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