



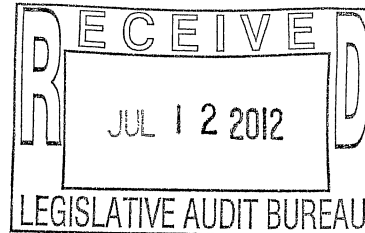
Public Service Commission of Wisconsin

Phil Montgomery, Chairperson
Eric Callisto, Commissioner
Ellen Nowak, Commissioner

610 North Whitney Way
P.O. Box 7854
Madison, WI 53707-7854

July 12, 2012

Joe Chrisman, State Auditor
Legislative Audit Bureau
22 E. Mifflin Street, Suite 500
Madison, WI 53703



Dear Mr. Chrisman:

The purpose of this letter is to report on the recommendation made to the Public Service Commission (PSC) in the December 2011 audit of the Focus on Energy Program. The Legislative Audit Bureau recommended:

“The PSC report to the Joint Legislative Audit Committee by July 2, 2012, on expanding the program’s efforts to measure the effects of program delivery activities on Focus on Energy participation and energy savings.”

As the Legislative Audit Bureau recognized, the audit was a retrospective look at the Focus on Energy program prior to the selection of the new Program Administrator, Shaw Environmental and Infrastructure (Shaw). Therefore, several major changes have occurred which address the concerns raised regarding program delivery costs. These changes include: rebidding and redesigning all Business and Residential programs, which were launched in waves throughout the first half of 2012; a new enterprise system (named SPECTRUM), which was launched in December 2011; and development of new customer satisfaction surveys and metrics, and consideration of an energy efficiency baseline study. Several of these changes have resulted in reduced program delivery costs. Others will enhance the ability to track and analyze the impact of the delivery costs on overall energy savings. I will address each of these briefly.

Shaw has redesigned all of the Business and Residential programs, which has changed program delivery methods and reduced program delivery costs. For example, the competitive bidding process for selecting new program implementers reduced administrative costs by \$6 million compared to previous years. In addition, when negotiating the contracts with program implementers, Shaw capped labor costs for implementers at 25 percent of the program’s budget. Previously, this ranged from 33-40 percent.

Reduced labor budgets mean that program implementers will have to rely on trade allies in the market to work with customers to identify energy efficiency projects, fill out application forms, and other activities previously performed by program implementers. The trade ally program has been restructured to make participation easier and to provide training so trade allies can successfully link customers with the Focus on Energy program.

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The implementation of SPECTRUM has also resulted in administrative cost savings. SPECTRUM includes customer management and application processing components that have reduced the amount of resources needed by implementers for application approval and payment. Previous estimates indicated that as much as \$1.3 million in labor costs could be saved by such a system.

SPECTRUM is being rolled out in phases. A new web site component is being designed to make on-line applications possible for the first time. This component, which is currently in the procurement process, will also reduce application processing time and therefore reduce costs. Using the capabilities of the new web site and SPECTRUM, it is anticipated that Shaw will be better able to track customer contacts with Focus and tie them to actions taken.

Shaw is also developing customer service and satisfaction metrics in order to better measure the effects of program delivery activities on achieving energy savings and customer satisfaction with the new programs. These customer satisfaction metrics will be included in Shaw's performance contract with the Statewide Energy Efficiency and Renewables Administration (SEERA).

Finally, the Focus on Energy Program Evaluator has proposed conducting a market baseline study. One objective of the study is to lay the groundwork for determining the effects of both incentive and non-incentive components of Focus on Energy programs on savings achievement. The Commission's Evaluation Work Group is currently considering whether the study would provide sufficient benefit to justify the costs, and if so, the appropriate design and scope of the study.

I hope this addresses your recommendation in the audit report. Should you have any questions, please contact my Executive Assistant, Delanie Breuer, at (608) 266-1245 or delanie.breuer@wisconsin.gov.

Sincerely,



Ellen Nowak, Commissioner
Public Service Commission of Wisconsin

Cc: Sen. Rob Cowles
Rep. Samantha Kerkman