

1997-98 SESSION
COMMITTEE HEARING
RECORDS

Committee Name:

Joint Committee on
Finance
(JC-Fi)

Sample:

- Record of Comm. Proceedings
- 97hrAC-EdR_RCP_pt01a
- 97hrAC-EdR_RCP_pt01b
- 97hrAC-EdR_RCP_pt02

➤ Appointments ... Appt

➤

➤ Clearinghouse Rules ... CRule

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➤ Committee Hearings ... CH

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➤ Committee Reports ... CR

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➤ Executive Sessions ... ES

➤

➤ Hearing Records ... HR

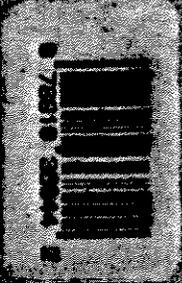
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Joint Finance

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14 Day Passive
Reviews

10/17/96 to

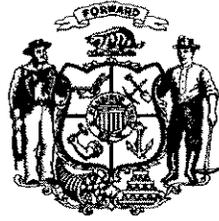
12/17/96

Energy Assistance Pilots
12/13/96

THE STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

Room LL 1 MLK
P.O. Box 7882
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ASSEMBLY CHAIR
SCOTT JENSEN

315-N Capitol
P.O. Box 8952
Madison, WI 53708-8952
Phone: (608) 264-6970

JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Brian Burke
Representative Scott Jensen
Co-Chairs, Joint Committee on Finance

Date: February 4, 1997

Re: Low Income Energy Assistance Pilot Programs Additional Information

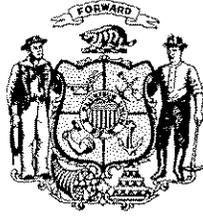
Enclosed please find a copy of a letter and attachments from Secretary Bugher concerning the low income energy assistance pilot projects. This information was requested by the Committee in a letter from Co-Chair Burke submitted to Secretary Bugher on January 13, 1997.

No action is required by the Committee on these materials. This information is for your review only.

BB:SJ:jc

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON
GOVERNOR
MARK D. BUGHER
SECRETARY



Mailing Address:
Post Office Box 7864
Madison, WI 53707-7864

January 30, 1997

The Honorable Brian B. Burke
Wisconsin State Senate
100 North Hamilton Street
P.O. Box 7882
Madison, WI 53707-7882

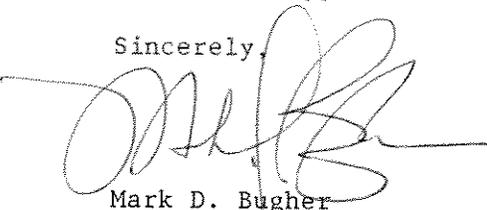
The Honorable Scott Jensen
Wisconsin State Assembly
119 Martin Luther King Jr. Boulevard
Madison, WI 53707-8952

Dear Senator Burke and Representative Jensen:

Enclosed is the additional information requested by the Joint Committee on Finance on January 13, 1997 from the Department of Administration on the low income energy assistance pilot projects.

We are enthusiastic about the potential of these pilot projects to provide sustainable sources of funding for delivering low income energy services, while saving energy, increasing the affordability of home energy bills and enhancing the long-term health and safety of Wisconsin's low income residents. These innovative initiatives will maintain Wisconsin's national leadership on low income energy policies. DOA appreciates the Committee's continued support on these important matters.

Sincerely,



Mark D. Bugher
Secretary

Enclosure

cc: Nathaniel E. Robinson, Administrator
Division of Energy and Intergovernmental Relations

Patrick E. Meier, Director
Wisconsin Energy Bureau

Additional Information Requested by the Joint Committee on Finance on the Low Income Energy Assistance Pilot Projects

1. *Please provide the planned calendar period for the two-year pilots' life for all currently approved pilots, including the expected starting and ending dates and an identification of what heating seasons will be included in the two year pilot periods. If commencement dates are expected to vary, please provide specific dates for each pilot.*

After final approval of each pilot by the Committee, the Department of Administration must obtain concurrence from the federal court with jurisdiction (Stripper funds) or file an amendment to the State Energy Program (Exxon funds). This process typically requires approximately 6 weeks. During that time the Department will negotiate contracts with the approved grantees. We anticipate its completion no later than March 1, 1997 and have used that as the projected starting date for the recently approved pilots.

The following table illustrates the starting and ending dates that will be designated in the contract for each pilot. The Campaign to Keep Wisconsin Warm Pilot, which was approved by the Committee in September, 1996, is already underway and will be completed approximately four-and-a-half months before the other pilots. The other three pilots will have a designated ending date of February 28, 1999 reflecting the two-year pilot term. Due to the delay in implementation of the pilots and consequent inability to make the pilots fully operational in the 1996-97 heating season, the Energy Bureau anticipates that the grantees may ask for an extension of the ending date to include the entire 1998-99 heating season. The Bureau will evaluate any such requests on a case-by-case basis, but will only approve no cost extensions of the ending date. The evaluation will be completed no later than six months after the completion of the last pilot(s) to be implemented. The Committee designated this as the deadline for receiving the final evaluation report.

Pilot	Starting Date	Ending Date	Heating Seasons
Campaign to Keep Wisconsin Warm	Nov. 15, 1996	Nov. 14, 1998	1996-97 & 1997-98
Conservation Based Energy Assistance	Mar. 1, 1997	Feb. 28, 1999	1997-98 & 1998-99
Shared Savings Weatherization	Mar. 1, 1997	Feb. 28, 1999	1997-98 & 1998-99
Milwaukee Energy Network	Mar. 1, 1997	Feb. 28, 1999	1997-98 & 1998-99
Evaluation	Mar. 1, 1997	Sept. 1, 1999	1997-98 & 1998-99

2. *Among the stated objectives for the Shared Savings Weatherization Pilot is the objective to minimize government support needed by low income households. We would expect, therefore, that a quantitative measure of that objective would be a comparison of the amount of energy assistance (LIHEAP) received by participants in this pilot before the pilot commenced and the amount received during the course of the pilot. Why is this quantitative measure not included in the most recent information submitted? Can it be added as an additional quantitative index?*

As indicated in DOA's December 23, 1996, letter to the Committee, an evaluation plan will be developed for each pilot after funding is approved and the pilot contracts are signed. Until that time, the Energy Bureau is unable to require the potential evaluation contractor to conduct this critical first step in the evaluation process. Each evaluation plan will be based on negotiations between the pilot partners, the evaluator and the Energy Bureau. The indices presented to the Committee are expected to be refined by the evaluation contractor based on these negotiations and the funding available. Thus, at this point, we can only provide a guide to the specific data that may be used to measure the cost-effectiveness of the pilot project. Pending funding authorization and the signing of an evaluation contract, the Energy Bureau cannot identify specific details of the evaluation process.

Nevertheless, the comparison of LIHEAP assistance before and after the activities of the Shared Savings Weatherization Pilot is an important quantitative measurement and the Energy Bureau will propose that it be added to the evaluation of the pilot. The local Community Action Programs (CAPs) will use a list of the LIHEAP recipients in the area they serve to help identify pilot participants. This information includes the amount of energy assistance received by a particular low income household. This data will be compared to the amount of energy assistance the household is eligible to receive after the weatherization measures have been installed (adjusted for changes in weather and fuel prices). In particular, LIHEAP recipients with high energy use will be targeted for the Shared Savings Weatherization Pilot.

It should be noted that reductions in federal funding for LIHEAP may force reductions in LIHEAP payments not attributable to the pilot programs. Thus, the comparison of LIHEAP benefits before and after the pilot will not be unambiguous. Also, LIHEAP data is more complete for households using regulated fuels (natural gas and electricity) than it is for households using bulk fuels or wood. This data inconsistency will also impact the reliability of the comparison.

3. *Under the evaluation information for the Shared Savings Weatherization Pilot please provide the specific cost and benefit data that will be used to make the quantitative measurement of the 1) Cost-effectiveness of program compared to traditional weatherization programs; and 2) Cost/Benefit calculations compared to other weatherization programs with and without startup costs and other shared savings splits and time periods for recovering savings.*

Again, this is a question best answered by the eventual evaluation contractor. However, as a baseline, the state weatherization program currently requires that the present value of the energy savings over the life of all the installed weatherization measures be greater than or equal to the installed costs (materials and on-site labor) of the measures. In other words, the benefit-cost ratio must be greater than or equal to one. On a measure specific basis, the benefit-cost ratio must be greater than or equal to 1.2 to pass the energy audit. The reason why the benefit-cost ratio for the entire job is less than the ratio for specific measures is that additional costs such as structural repairs are often needed for the installation and preservation of the weatherization measure. The costs of administering the program and measures installed to protect health and safety are not factored into the benefit-cost analysis. However, federal rules specify that a maximum of 10 percent of the total funds received by the state can be spent on administrative costs.

The cost-effectiveness of the Shared Savings Weatherization Pilot can be compared to this baseline using a number of approaches. One approach could divide the present value of the energy savings over the life of the installed weatherization measures by the installed costs of the measures plus the cost of providing on-site energy education. Another approach could compare the actual level of savings received by the participant to the average amount of savings received by participants under the state weatherization program. Another approach could divide the shared energy savings received by the weatherization provider by the incremental costs to administer and deliver the pilot. This would measure the cost-effectiveness of the program from the weatherization provider's perspective. One-time start-up costs that would not be incurred by other organizations who wanted to duplicate the pilot's approach should not be included in the benefit-cost analysis. The ongoing costs of operating a shared savings program would be included. The cost-effectiveness of different shared savings time periods and splits between participants and weatherization providers could be mathematically derived for comparison to the approach used in the pilot.

4. *In your December 23, 1996, submittal, several additional objectives have been added to the Campaign to Keep Wisconsin Warm since the Governor's oil overcharge plan was submitted for approval in August of 1996. The Committee needs to know the process by which these new objectives were added to this pilot and also whether the previously identified list of objectives for this pilot and the other approved pilots are going to continue to be subject to this type of change.*

In August 1996, the Committee was presented with a brief summary (2-3 paragraphs) of each low income energy assistance pilot project included in the Governor's oil overcharge plan. These summaries were based, in large part, on the full 15-page proposals submitted by the pilot agencies. In the interests of brevity, only the primary objectives of each pilot were described. Since the Committee approved the Campaign to Keep Wisconsin Warm at its September 26, 1996 meeting and did not request additional information, the specific objectives and details of the pilot were not elaborated upon. The additional objectives that were included in the December 23, 1996 submittal to the Committee, were taken directly from the original proposal submitted by Energy Services, Inc. of Madison.

The objectives of the other approved pilots were modified somewhat from the original proposals received by DOA, after the projects were redesigned to meet the Committee's requirements from the September 26, 1996 meeting. These modified objectives were included in the additional information submitted to the Committee on November 22, 1996. The objectives of these pilots will not be subject to additional change, unless requested or approved by the Committee.

JOINT COMMITTEE ON FINANCE



**SENATE CHAIR
BRIAN BURKE**

Memorandum

To: Members
Joint Committee on Finance

From: Brian Burke
Senate Chair, Joint Committee on Finance

Date: January 14, 1997

Re: Low Income Energy Assistance Pilot Projects Follow-Up Information

Attached please find a copy of a letter from Secretary Bugher addressed to both Representative Brancel and me concerning the low income energy assistance pilot projects and a copy of my recent response directed to the Secretary. This information was provided to the Committee by the Department of Administration in response to a letter from the Co-Chairs, dated December 13, 1996, approving the projects subject to the submittal of additional information to the Committee.

I am providing this information to you for your review only. Because of the recent changes in committee assignments, I thought it might be helpful for you to have a record of the ongoing correspondence between the Committee and the Department of Administration concerning this matter.

Please feel free to contact me should you have questions or concerns about this material.

BBB:jec

JOINT COMMITTEE ON FINANCE



**SENATE CHAIR
BRIAN BURKE**

January 13, 1997

Mr. Mark D. Bugher, Secretary
Department of Administration
101 E. Wilson Street, 10th Floor
Madison, WI 53703

Dear Secretary Bugher:

This letter is in response to your December 23, 1996, letter in which you provided certain follow-up information requested by the Joint Committee on Finance related to the release of oil overcharge funds for one proposed low-income energy assistance pilot and an evaluation component.

In a December 13, 1996, letter to you, it was indicated that the Committee approved: (1) the release of \$200,000 of oil overcharge funds for the Milwaukee Energy Network Pilot; (2) release of \$191,000 of oil overcharge funds for the Shared Savings Weatherization Pilot and placing \$9,000 in unallotted reserve for subsequent release by the Committee; and (3) release of \$200,000 of oil overcharge funds for the Conservation Based Energy Assistance Pilot and \$80,000 of oil overcharge funds for the evaluation component, subject to submittal of additional requested information.

The information provided in your December 23, 1996, letter was helpful and responsive to the Committee's concerns. I am, however, requesting that you provide for the Committee the following additional information relative to four of the items contained in your most recent submittal to the Committee.

First, your letter indicates that while initial implementation of these pilots will begin during the second half of this heating season, full implementation of the pilots is not expected to occur until next heating season. Please provide the planned calendar period for the two-year pilots' life for all currently approved pilots, including expected starting and ending dates and an identification of what heating seasons will be included in the two year pilot periods. If commencement dates are expected to vary, please provide specific dates for each pilot.

Second, among the stated objectives for the Shared Saving Weatherization Pilot is the objective to minimize government support needed by low-income households. We would expect,

Secretary Mark Bugher

January 13, 1997

Page 2

therefore, that a quantitative measure of that objective would be a comparison of the amount of energy assistance (LIHEAP) received by participants in this pilot before the pilot commenced and the amount received during the course of the pilot. Why is this quantitative measure not included in the most recent information submitted? Can it be added as an additional quantitative index?

Third, under the evaluation component information for the Shared Savings Weatherization Pilot, it is indicated that among quantitative indices that will be used to measure whether the pilot's objectives have been met are: (1) "Cost-effectiveness of program compared to traditional weatherization program"; and (2) "Cost/benefit calculations compared to other weatherization programs with and without start-up costs and other shared saving splits and time periods for recovering savings." While these indicate a measurement method, they do not identify the data that will be used to make the quantitative measurement. Please provide the specific cost and benefit data that will be used in each of these indices. The Committee needs to know what program costs will be used to determine the cost of the pilot and what are the measurable, quantitative, benefits that will be used in the benefit side of the analysis of this pilot.

Fourth, DOA was not required as a part of its November 22, 1996, report to the Committee to provide specified objectives for the Campaign to Keep Wisconsin Warm Pilot. Therefore, the only information the Committee had received regarding this pilot's objectives was that which was contained in the Governor's oil overcharge plan submitted for Committee approval in August of 1996. The Governor's proposal indicated that the goals of the Campaign to Keep Wisconsin Warm Pilot were: (1) assisting low-income households experiencing a heating crisis or requiring weatherization improvements; and (2) raising contributions from businesses, utility customers, community organizations and individuals in Dane County to expand the pilot lead agency's ability to meet low income energy assistance needs. However, in your December 22, 1996, submittal, several additional objectives have now been added. These were objectives to: (1) reduce the number of carbon monoxide related deaths in Wisconsin; (2) remove pride barriers that prohibit certain households from receiving needed services; and (3) increasing public awareness of the growing energy plight of the poor who face life-threatening situations due to their inability to pay for energy and furnace repair and replacements. The Committee needs to know the process by which these new objectives were added to this pilot and also whether the previously identified list of objectives for this pilot and the other approved pilots are going to continue to be subject to this type of change.

At this time, the Committee gives final approval to the release of the funding previously requested: (1) Conservation Based Energy Assistance Pilot -- \$200,000; and (2) Evaluation Component -- \$80,000. Accordingly, the Department may, as indicated in your December 23,

Secretary Mark Bugher

January 13, 1997

Page 3

1996, letter proceed to develop contracts with the local agencies for the approved pilots. However, the Committee would like to receive the additional information requested above no later than January 31, 1997.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Burke". The signature is written in a cursive style with a large initial "B".

BRIAN BURKE

Senate Chair

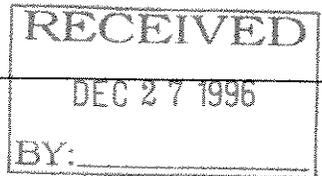
cc: Nathaniel Robinson, DOA

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON
GOVERNOR
MARK D. BUGHER
SECRETARY



Mailing Address:
Post Office Box 7864
Madison, WI 53707-7864



December 23, 1996

The Honorable Brian B. Burke
Wisconsin Senate
100 North Hamilton Street
P.O. Box 7882
Madison, WI 53707-7882

The Honorable Ben Brancel
Wisconsin Assembly
119 Martin Luther King, Jr. Boulevard.
P.O. Box 8952
Madison, WI 53707-8952

Dear Senator Burke and Representative Brancel:

Enclosed is the information requested by the Joint Committee on Finance December 13, 1996 from the Department of Administration on one of the low income energy assistance pilot projects and the pilot evaluation. If this information is sufficient, DOA will develop contracts with the pilot agencies. This will allow the pilot agencies to develop final work plans and begin implementation of the pilots during the second half of this heating season. However, full implementation of the pilots is not expected to occur until next heating season.

DOA is continuing to work with the One-Stop-Shop for Energy & Housing Services pilot agencies to redesign the pilot to meet the requirements of the Committee.

We are enthusiastic about the potential of these pilot projects to provide sustainable sources of funding for delivering low income energy services, while saving energy, increasing the affordability of home energy bills and enhancing the long-term health and safety of Wisconsin's low income residents. These innovative initiatives will maintain Wisconsin's national leadership on low income energy policies. DOA appreciates the Committee's continued support on these important matters.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "M. D. Bugher".

Mark D. Bugher
Secretary

Enclosure

cc: Nathaniel E. Robinson, Administrator
Division of Energy and Intergovernmental Relations

Patrick E. Meier, Director
Wisconsin Energy Bureau

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Additional Information Requested by the Joint Committee on Finance on the Low Income Energy Assistance Pilot Projects

CONSERVATION BASED ENERGY ASSISTANCE PILOT

1. *Feasibility of using LIHEAP funds as incentives for participation in this pilot.*

The DOA Division of Housing has agreed to authorize \$19,800 in incentive payments for this pilot in Waushara County, contingent upon receiving a written request from Waushara County Social Services. These funds will come from unexpended 1996 crisis assistance dollars. Energy Services in the Division of Housing also has confirmed that using these funds for incentive payments in the pilot are within federal guidelines.

2. *Estimated impact on households in Waushara County receiving LIHEAP benefits if a portion of LIHEAP funds are used for incentives.*

The LIHEAP funds used for incentive payments will be added to the Waushara County crisis assistance program's annual allotment. The County will distribute incentive payments to eligible LIHEAP recipients who have taken actions to reduce their energy use in addition to their regular heating assistance benefit. Incentive payments will be paid out of unexpended statewide LIHEAP funds from 1996 that would have been reallocated to the LIHEAP fund in 1997. Each of the anticipated 110,000 Wisconsin households receiving LIHEAP heating assistance benefits in 1997 (including Waushara County) would receive approximately 18 cents less than they would have without the pilot. (The average heating benefit statewide in 1997 is estimated to be about \$280). The number of households receiving benefits in Waushara County and throughout the state will not be affected by the pilot.

3. *The exact process by which the sustainable funding objective will be measured given the expected average ten-year delay between when the weatherization services will be provided and when the 0% interest deferred loans will be on average repaid and the limited two-year duration of this pilot.*

Progress on the sustainable funding objective will be measured primarily through two measurements. The first will track the number of eligible households which refuse weatherization services because these services are offered through a deferred loan rather than a grant. Little or no negative consumer reaction to this change would be interpreted as a strong likelihood of recovering the loan. This conclusion is based on CAP Services' experience of a 2 percent default rate in a similar program in its housing rehabilitation program. The experience of housing rehabilitation loans nationwide is the longer a loan is in effect, the more likely it will be repaid.

The second measurement will determine the impact of the repaid loans. Other Central Wisconsin housing programs that offer zero percent deferred loans report the average loan is repaid within seven years, with only two percent to five percent being repaid during the first two years. Since the pilot evaluation must be completed no later than six months after completion of the pilot, this small amount of data will be compared to and supplemented with information from similar existing programs. Such programs include the Steven's Point Community Development Program and the Endeavor Housing Rehabilitation Loan Fund, both of which offer zero percent deferred loans. Other low income programs will also be used for comparison purposes, i.e., CAP Services' housing rehabilitation program, WHEDA's low income home improvement and first time homebuyer loan programs and Farmers Home Administration loans. Based on

these averages, CAP Services will work with the evaluator to develop a schedule of anticipated repayments and the number of households which will be assisted through the lending opportunities provided by the repayments over a ten-year period. In addition, CAP Services will continue to submit audit reports to WEB after the pilot is over to track the actual long-term recovery of the loans..

The information should include how the dollars that are returned will be identified and at what point in time their actual return will be measured.

All weatherization loans will be secured through a second mortgage or affidavit of interest filed on the property with the Waushara County Register of Deeds. When the title to the property is transferred, the loans will be required to be repaid in full. All repayments will be tracked and reported separately by CAP Services. A schedule of repayments and new loans will be produced as part of CAP Services' annual audit. A copy of this audit will be provided to the Wisconsin Energy Bureau by June 30th each year.

EVALUATION COMPONENT

1. List the specific quantitative and qualitative indices that will be used to measure the success or failure of each pilot in meeting each of its identified objectives.

The tables below describe the quantitative and qualitative indices that potentially will be used to measure the identified objectives of each pilot. Once the pilots are approved and contracts are signed, an evaluation plan will be developed for each pilot based on negotiations between the pilot partners, the evaluator and the Energy Bureau. Furthermore, the evaluation is expected to be a dynamic process during the implementation. Thus, as each evaluation plan is developed and as the pilots evolve, the indices identified below are expected to be refined or expanded.

2. An indication that a copy of the final evaluation report regarding the pilots will be submitted to the Joint Committee on Finance no later than six months after the end of the two-year pilots.

The contract with the evaluator will stipulate that a final evaluation report will be submitted to the Joint Committee on Finance no later than six months after the end of the two-year pilots. The Energy Bureau, or some other interested party, may choose to continue a longer term evaluation process upon the termination of the two-year pilot programs. Such an evaluation would be beyond the scope of this proposal.

Conservation Based Energy Assistance Pilot

Objectives	Quantitative Indices	Qualitative Indices
<p>1. Reduce the energy use of households receiving energy assistance by offering incentives for enhanced weatherization and energy conservation measures.</p>	<ul style="list-style-type: none"> • Energy and dollar savings of households receiving incentives compared to non-participants. • Energy consumption in therms, kilowatt-hours and dollars before and after weatherization. • Pre & post blower door tests. • Audit reports on homes. • Persistence of energy savings. 	<ul style="list-style-type: none"> • Participant attitudes on the impact incentives had on saving energy. • Inventory of installed measures. • Inventory of behavioral measures adopted due to incentives. • Participant opinions of comfort levels and other benefits • Ability of program to help participants manage their financial resources. • Level of energy management knowledge gained.
<p>2. Increase participation in the weatherization program.</p>	<ul style="list-style-type: none"> • Number of households out of total eligible population that request weatherization before and after incentives are offered. • Number of households relocated based on landlord refusal to weatherize. • Participation rate in program as a function of incentive level. 	<ul style="list-style-type: none"> • Participant attitudes on the impact incentives had on participating in the program. • Participant satisfaction with measures installed, work done, loan arrangements, etc. • Weatherization providers perceptions of program effectiveness. • Reasons for customer or landlord refusal of weatherization services.
<p>3. Recover some or all of the assistance provided through the weatherization program to ensure a long-term capacity to weatherize low income dwellings.</p>	<ul style="list-style-type: none"> • Annual rate at which loans are repaid including a comparison to data from similar existing programs. • Default rate of loans. • Annual amount of dollars recovered and the number and rate of additional units weatherized. • Number of households refusing weatherization services because they are provided through a loan instead of a grant. 	<ul style="list-style-type: none"> • Degree of support from the U.S. Department of Energy. • Number and types of requests for program information.
<p>4. Build a conservation ethic among low income households by rewarding them for using energy efficiently</p>		<ul style="list-style-type: none"> • Increased participant knowledge of and interest in installing measures and adopting behaviors to save energy through before and after client survey.

Shared Savings Weatherization Pilot

Objectives	Quantitative Indices	Qualitative Indices
<p>1. To maximize energy savings and minimize government support needed by low income households by installing cost effective energy efficiency measures and providing site-specific energy education.</p>	<ul style="list-style-type: none"> • Energy saving per year in kilowatt-hours and therms and as a % of pre weatherization use. • Dollar reduction in energy bills. • Cost-effectiveness of program compared to traditional weatherization program. • Impact on participant's financial budgets, discretionary income and arrearage levels. • Persistence of energy savings over two-year pilot period. • Pre & post blower door tests. • Audit reports on homes. 	<ul style="list-style-type: none"> • Inventory of installed measures. • Inventory of behavioral measures adopted due to education and participant agreement. • Participant satisfaction with measures installed, work done, educational efforts, billing arrangements, etc. • Participant opinions of savings and method of receiving savings • Participant opinions of comfort levels and other benefits • Ability of program to help participants manage their financial resources. • Level of energy management knowledge gained. • Recommendations from participants, trade allies, field staff, management and administrative staff, etc.
<p>2. To provide a sustainable source of funding for local weatherization providers to deliver services to additional low income households.</p>	<ul style="list-style-type: none"> • Dollars collected from shared savings arrangement and the rate at which they are collected. • Number of additional units weatherized. • Amount and number of payment collection problems. • Shared dollars as a percent of installation costs. • Cost to manage and operate the program. • Cost/benefit calculations compared to other weatherization programs with and without start-up costs and other shared savings splits and time periods for recovering savings. 	<ul style="list-style-type: none"> • Weatherization providers perceptions of the effectiveness of the shared savings delivery mechanism. • Degree of support from the U.S. Department of Energy. • Number and types of requests for program information.

Milwaukee Energy Network Pilot

Objectives	Quantitative Indices	Qualitative Indices
<p>1. Establish a network of community - based organizations to connect low income households to comprehensive energy services throughout Milwaukee.</p>	<ul style="list-style-type: none"> • Increase in the number and effectiveness of referrals. 	<ul style="list-style-type: none"> • Service providers perceptions of working arrangements. • Client perceptions of the change in the level and quality of services provided through network. • Mechanisms adopted to address barriers to effective service coordination and information sharing among service providers.
<p>2. Provide low income participants with the necessary skills, knowledge, resources and incentive to control energy usage, maintain affordable energy bill payments and become self-sufficient.</p>	<ul style="list-style-type: none"> • Change in arrearage levels compared to non-participant group. • Energy savings before and after receiving energy education. • Number of households able to make continuous energy bills payments and complete energy education workshops. • Change in the amount of money needed for energy assistance. 	<ul style="list-style-type: none"> • Participant and service provider attitudes on effectiveness of customer co-payment mechanism as an incentive for regular and continued energy bill payments. • Survey of customer knowledge and implementation of energy saving practices following energy education workshops.

Campaign to Keep Wisconsin Warm

Objectives	Quantitative Indices	Qualitative Indices
1. Reduce the number of carbon monoxide related deaths in Wisconsin.	<ul style="list-style-type: none"> • Additional number of households receiving assistance with carbon monoxide problems due to pilot. • Number of carbon monoxide deaths in pilot area before and after pilot. 	<ul style="list-style-type: none"> • Types of households with carbon monoxide problems. • Primary causes of carbon monoxide problems and strategies used to address them.
2. Reduce the number of households in crisis and promote long-term self-sufficiency.	<ul style="list-style-type: none"> • Change in the amount of crisis assistance provided and the number of households served before and after the pilot. • Change in arrearages compared to non-participant group. 	<ul style="list-style-type: none"> • Change in the type of crisis assistance provided before and after the pilot.
3. Remove pride barriers that prohibit certain households from receiving needed services.		<ul style="list-style-type: none"> • Low income client survey of perceptions of energy assistance programs. • Effectiveness of outreach strategies to pride barriers.
4. Increase public awareness of the growing energy plight of poor who face life threatening situations due to their inability to pay for energy and furnace repair and replacements.		<ul style="list-style-type: none"> • Survey of public awareness of low income energy problems and programs available to address these problems before and after pilot. • Increased involvement of businesses, community organizations and public
5. Expand upon existing public-private partnerships to mobilize the additional resources necessary to respond to the increase in energy related emergencies.	<ul style="list-style-type: none"> • Amount of funds received from businesses, non-profits, community organizations and individuals. • Long-term commitment of organizations to provide future contributions. • Change in the number of energy related emergencies addressed and level of services provided with additional funds. 	<ul style="list-style-type: none"> • Types of organizations that contribute and reasons for contributing.



APPENDIX A

Energy and Housing Services Provided by the La Crosse County One-Stop-Shop

City of La Crosse Housing Authority

- Public housing assistance
- Section 8 housing
- Rental housing voucher program

City of La Crosse Planning Department

- City housing and public facilities
- Housing rehabilitation

Coulee CAP

- Proactive energy assistance
- Housing rehabilitation
- Weatherization
- First time home buyer service
- Transitional housing
- Energy education

Great River Independent Living Center

- Housing assistance for veterans and disabled
- Housing rehabilitation
- WHEDA home improvement loans
- HUD HOME program

La Crosse Coalition for Affordable Housing

- Referral directory
- County housing coordination and planning

La Crosse County Health Department

- WIC (Women, Infants and Children) provider
- Lead paint housing concerns
- Other health and safety concerns

La Crosse County Housing Authority

- Public housing assistance
- Section 8 housing

La Crosse County Human Services

- LIHEAP heating and crisis assistance
- Furnace repair and replacement
- Proactive/budget counseling
- Weatherization referrals
- Wisconsin Works program

New Horizons

- Emergency and transitional housing
- Counseling

Northern States Power Company

- Electric and natural gas service delivery
- Weatherization
- Affordable payment plans
- Emergency services
- Energy education & information

The Salvation Army

- Emergency and transitional housing
- Rental assistance
- Energy bill payment assistance
- Crisis assistance

Trempealeau Electric

- Electric service delivery
- Rehabilitation for homeowners
- Energy usage audits
- Energy education & information
- Energy emergency services

Western Wisconsin Legal Services

- Tenant/landlord rights and responsibilities
- Legal services
- Advocacy
- Assure access to utility service

Wisconsin Gas Company

- Natural gas service delivery
- Weatherization
- Early identification programs
- Affordable payment plans
- Energy education & information
- Energy emergency services

STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

100 North Hamilton
P.O. Box 7882
Madison, WI 53707-7882
Phone: 266-8535



ASSEMBLY CHAIR
BEN BRANCEL

119 Martin Luther King Blvd.
P.O. Box 8952
Madison, WI 53708-8952
Phone: 266-7746

JOINT COMMITTEE ON FINANCE

December 13, 1996

Mr. Mark D. Bugher, Secretary
Department of Administration
101 E. Wilson Street, 10th Floor
Madison, WI 53703

Dear Secretary Bugher:

On November 22, 1996, former Secretary Klauser submitted to the Joint Committee on Finance, for its approval under a 14-day passive review process, follow-up information requested by the Committee related to the release of oil overcharge funds for three proposed LIHEAP pilots and an evaluation component. Based on the submittals, the following amount of funds were requested for release: (1) Milwaukee Energy Network Pilot -- \$200,000; (2) Shared Savings Weatherization Pilot -- \$200,000; (3) Conservation Based Energy Assistance Pilot -- \$200,000; and (4) Evaluation Component -- \$80,000.

The Committee approves the release of \$200,000 of oil overcharge funds for the Milwaukee Energy Network Pilot as submitted.

The Committee approves the Shared Savings Weatherization Pilot as submitted with the following modification:

- Approve the release of \$191,000 of oil overcharge funds for the Shared Savings Weatherization Pilot and place \$9,000 in unallotted reserve for subsequent release by the Committee. The reduced level of released funding reflects the Committee's requirement that administrative costs be budgeted at 15% (\$30,000) of total funds to be allocated to the pilot (\$200,000).

Mr. Mark D. Bugher, Secretary

December 13, 1996

Page 2

Unless you notify us by December 30, 1996, that you wish us to schedule a meeting of the Committee to review this project, we will consider the Shared Savings Weatherization Pilot as approved with the above stated modification.

The Committee approves the Conservation Based Energy Assistance Pilot and the evaluation component, subject to the understanding that DOA submit to the Committee by December 30, 1996, the following additional material regarding that pilot and the evaluation component:

Conservation Based Energy Assistance Pilot

• Requested additional information:

(1) The feasibility of using LIHEAP funds as incentives for participation in this pilot.

(2) The estimated impact on households in Waushara County receiving LIHEAP benefits if a portion of LIHEAP funds is used for incentives in this pilot. Specifically, provide information showing (both with and without the use of LIHEAP funds for incentive payments): (a) the average LIHEAP cash benefit that would be provided to households in Waushara County receiving heating and crisis assistance; and (b) the number of households in Waushara County receiving heating and crisis assistance cash benefits.

(3) The exact process by which the sustainable funding objective for this two-year pilot will be measured given the expected average ten-year delay between when the weatherization services will be provided and when the 0% interest deferred loans will on average be repaid and the limited two-year duration of this pilot. The information should include how the dollars actually returned will be identified and at what point in time their actual return will be measured.

Evaluation Component

• Requested additional information:

(1) The specific quantitative and qualitative indices that will be used to measure the success or failure of each pilot in meeting each of its identified objectives, as enumerated in the Department's November 22, 1996, submittal to the Committee.

Mr. Mark D. Bugher, Secretary

December 13, 1996

Page 3

(2) An indication that a copy of the final evaluation report regarding the pilots will be submitted to the Joint Committee on Finance no later than six months after the end of the two-year pilots.



BRIAN BURKE
Senate Chair

Sincerely,



BEN BRANCEL
Assembly Chair

BB/BB/jc

cc: Members, Joint Committee on Finance
Nathaniel Robinson, DOA



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

December 6, 1996

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Additional Low-Income Energy Assistance Pilot Projects Information

BACKGROUND

At its September 26, 1996, meeting, the Joint Committee on Finance allocated, subject to further review by the Committee, \$975,000 of oil overcharge funds for four low-income energy assistance pilots and for an outside evaluation of those pilots. Funding of \$200,000 for one additional pilot, the Campaign to Keep Wisconsin Warm, was allocated and released at that meeting.

The Committee specified that before funding for the remaining four pilots and the evaluation component could be expended, DOA was to provide the Committee with additional information on the pilots and the evaluation component under a 14-day passive review process. Specifically, DOA was required to provide the following information regarding each pilot and the evaluation: (1) a detailed project budget; (2) for the pilots, assurance that administrative costs, including staff support and program delivery costs, do not exceed 15% of the total oil overcharge funds allocated to an individual pilot; (3) a report detailing the specific objectives to be obtained by each pilot; and (4) where two or more pilots involve similar activities, an evaluation of what different benefits are to be demonstrated by each pilot. Upon receipt of this information, the Committee then has 14 working days to review the submitted materials before the funds for a project are released for expenditure.

On November 22, 1996, DOA submitted a request for approval of the release of allocated oil overcharge funds for three of the four pilots (Milwaukee Energy Network Pilot, Shared Savings Weatherization Pilot and Conservation-Based Energy Assistance Pilot) and for most of the funds reserved for the evaluation component of the pilot program. The Department indicated that it is not requesting approval for the One-Stop-Shop Pilot at this time since it is still working

on this project. Unless an objection to this request is filed by December 13, 1996, the requested funds will be released for expenditure on December 16, 1996.

JOINT COMMITTEE ON FINANCE REQUIREMENTS--PILOTS

In reviewing the materials submitted by DOA, the Committee may wish to review whether DOA met the requirements set forth by the Committee. In regard to the first requirement, DOA did submit a project budget for each pilot which provided more detail than was originally provided in its 13.10 request. For each pilot, DOA provided a breakdown of: (1) administration, staff support and program delivery cost; (2) low-income services; and (3) matching funds or contributions from community action programs or utilities when provided.

The second requirement, that DOA provide assurance that administrative costs would not exceed 15% of the total oil overcharge funds, was met in two cases. The budgets for the Milwaukee Energy Network Pilot and the Conservation Based Energy Assistance Pilot list administrative costs at 15% of the total oil overcharge funds allocated. However, the Shared Savings Weatherization Pilot's budget shows administrative costs at 20% of the total overcharge funds allocated.

The third requirement was that DOA provide a report detailing the specific objectives to be obtained by each pilot. While DOA did provide the Committee with specific objectives for each pilot, the Committee may wish to consider whether the provided objectives are sufficiently specific or measurable as to completely satisfy the concerns expressed by the Committee during its September meeting as to the exact outcomes that are expected from each pilot and presumably the basis on which each pilot is to be evaluated.

The Department also responded to the last Committee requirement that where two or more pilots involve similar activities, an evaluation of what different benefits are to be demonstrated by each pilot was to be provided to the Committee. The information provided by DOA identified that although two of the pilots, the Shared Savings Weatherization Pilot and the Conservation Based Energy Assistance Pilot, are similar in concept in that they both provide weatherization services, they provide somewhat different benefits in this area.

Specifically, DOA indicated that under the Conservation Based Energy Assistance Pilot, weatherization measures similar to those provided under the state weatherization program will be provided at 0% interest until the home is sold or the participant moves. In addition, cash incentives will be provided to participants. Under the Shared Savings Pilot, more cost-effective energy efficiency measures than those provided under the state weatherization program will be provided to participants with part of the savings realized through lower utility bills being returned to the pilot participants during the duration of the pilot.

Also, while DOA did not mention it, one other area where two pilots might be seen as having similar benefits is in the area of energy education. The Milwaukee Energy Network Pilot

has an identified benefit of energy education workshops for its pilot participants. This Shared Savings Weatherization Pilot has an identified benefit of in-home energy education and training. Presumably, DOA sees the in-home education and training under the Shared Savings Pilot as being of a different nature than Milwaukee Energy Network Pilot energy education workshops that would be group-type workshops at an outside location.

To assist the Committee in its review of this information provided by DOA, we have prepared a chart categorizing the required information provided by DOA for each of the three individual pilots. This information is set forth in Attachment 1.

JOINT COMMITTEE ON FINANCE REQUIREMENTS -- EVALUATION

In addition to requesting approval of funding for three pilots, DOA also requests release of \$80,000 of oil overcharge funds to conduct an evaluation of the proposed low-income pilots. Previously, under DOA's 13.10 request, the Department had requested \$100,000 for this purpose.

In its request, DOA asserts that it is necessary to conduct an independent evaluation of the pilots in order to determine the effectiveness of the pilots and the feasibility of statewide expansion. The Department proposes to use the funding to contract with the Energy Center of Wisconsin to conduct or subcontract the evaluation. As part of the evaluation, the evaluators would meet regularly with a DOA management team to develop an evaluation plan and provide input about the on-going progress of each pilot.

As to the Committee's first requirement, DOA did submit a project budget for the evaluation which provided more detail than was provided in its 13.10 request. The materials submitted by DOA on the evaluation breakdown the cost of four components of the evaluation: (a) evaluation plan development; (b) data collection; (c) data analysis; and (d) reporting. Attachment 2 shows the budget as provided by DOA. The second requirement, that DOA provide assurance that administrative costs would not exceed 15% of the total oil overcharge funds, does not apply in this case as the evaluation is entirely administrative in nature. The third requirement, detailed specific objectives to be obtained by the evaluation, was provided by DOA. As with the pilots, the Committee may wish to consider whether these objectives are specific enough to meet the concerns expressed by the Committee at its earlier meeting.

Finally, the last requirement, where two or more pilots involve similar activities, an evaluation of what different benefits are to be demonstrated by each pilot, does not apply to the evaluation component because it is the only overall evaluation of the pilots proposed by DOA.

While not a pilot per se, the additional information DOA provided regarding the evaluation component of its proposal can be categorized in the same general way in which the information for the pilots was summarized. That categorization, along with budget information, is provided in Attachment 2.

ADDITIONAL INFORMATION ON PILOTS

In addition to submitting information relative to the reporting requirements established by the Committee, DOA also included in its November 22, 1996, submittal some new information on all three of the proposed pilots. Provided below is a brief description of the purpose of the pilots followed by a summary of that new information.

Milwaukee Energy Network Pilot

This pilot proposes to work with local community organizations to provide energy efficiency training, education and assistance in developing manageable utility payment plans and copayment schedules for low-income households residing in the Milwaukee metropolitan area. Community Advocates of Milwaukee will operator this pilot.

A newly identified facet for the pilot is the concept of providing the pilot benefits through a voucher system. Vouchers would be provided to households when they enter the pilot that could be exchanged for a designated level of service from eligible providers of energy education, case-management services and utility co-payment matching funds. After providing the service to the pilot participant, the provider will submit the voucher to the pilot leader, Community Advocates, to redeem its value.

In addition, DOA previously indicated that funds would be used to provide weatherization services to households involved in the planned rehabilitation projects. This is no longer a component of this pilot.

Shared-Savings Weatherization Pilot

TecMRKT Works, a private consulting firm, is the lead organization for this pilot. TecMRKT Works, will work with two area community action programs (CAPs): West Central CAP and Southwest CAP, to design and implement this pilot. The focus of this pilot is to provide weatherization services not provided under the state weatherization program to low-income households while at the same time providing training in efficient energy use, reviewing utility bills for savings potential and establishing utility payment plans. In addition, this pilot proposes to set up shared-saving plans so that: (1) a part of any savings realized from the weatherization of the home could be retained by the CAP agencies to provide additional funding for pilot weatherization services; and (2) a part of any savings could be returned to the participating household.

New information regarding this pilot includes additional details on how participants will be able to receive some of the savings realized under the pilot. It is anticipated that the participants will have two choices: (1) receive some of the savings immediately and continuously after the installation of the measures by paying lower utility bills; or (2) place a part of the savings realized through lower utility bills into an escrow account to be returned with interest at a designated interval.

DOA has also indicated that the energy efficiency training and education sessions will be conducted at each participant's home. If actual savings realized by a household falls below the estimated reduction amount, program staff will revisit the home to determine why savings are low and conduct additional in-home training to achieve anticipated energy consumption reductions.

Lastly, DOA's materials indicate that the "cost of materials and labor to install energy efficiency measures [will be] \$5,566 per household". Previously, the Committee was not provided with any breakdown of these costs per household.

Conservation Based Energy Assistance Pilot

This pilot is aimed at providing incentives to low-income households to utilize weatherization services, thereby ultimately reducing the household's overall energy consumption. Services that will be offered under this pilot include rehabilitation, relocation and weatherization services. It is also proposed that the weatherization services be provided under a 0% interest loan arrangement and that the loan repayment monies would then be used to provide additional funding for the weatherization program. CAP Services, Inc. of Stevens point will lead this pilot in Waushara County working in partnership with Waushara County Social Services, Wisconsin Gas and Wisconsin Power and Light.

New to this pilot's description are details regarding a cash incentive that will be provided to participants. The pilot proposal indicates that a cash incentive will be paid to two types of participating households. First, households that reduce energy consumption on their own will receive a one-time payment. That payment will be based on a percentage of the energy saved during the 1996-97 winter heating season as compared to the previous winter. DOA estimates that approximately \$20 per household will be paid to 600 participating households. Second, a cash incentive would be provided to approximately 78 households that receive weatherization services. DOA indicates that the maximum cash payment to be provided to a household weatherized under this pilot would be \$100.

Another new facet identified for this pilot is that it is proposed that existing Low-Income Energy Assistance Program (LIHEAP) funds be used to pay for these cash incentives. LIHEAP funds are currently used to provide heating assistance, crisis assistance and emergency furnace repair and replacement for low-income households. It is expected that the leader of this pilot, CAP Services, will meet with LIHEAP operators and the Waushara County Department of Social Services to determine the feasibility of using LIHEAP funds in this way as well as the incentive levels. However, if the use of LIHEAP funds for this purpose is not feasible, it is indicated that CAP Services has agreed to provide the incentive payments with funds from CAP services, Wisconsin Gas and Wisconsin Power and Light. DOA estimates that the total maximum cost of providing both incentives would be \$19,800. In addition, DOA also proposes to finance household relocation with Waushara County LIHEAP crisis assistance funds at an average cost of about \$200 per household. [NOTE: These cash incentive amounts are not reflected in the pilot budget.]

DOA has also provided further information on how the 0% interest loan arrangement would operate. CAP Services will provide 0% interest loans to eligible home owners and landlords, deferred until the home is sold or no longer occupied by a low-income resident. Landlords would be required to pay 25 percent in cash upon signing the contract, with the remaining 75 percent financed through the no interest loan. Previous experience by CAP Services indicates that average household occupancy is ten years for low-income households, so that would be the average expected time at which the money would be returned to the program to provide additional services and loans.

It should be noted that DOA indicates that this pilot is different from the current state weatherization program in two ways. First, DOA states that this pilot rewards low-income households for reducing energy consumption rather than "rewarding households with the highest energy consumption" with higher LIHEAP payments due to the way in which the heating assistance benefit is calculated. Second, DOA notes that this pilot would allow the recovery of a portion of the cost of providing the weatherization services, something which is not currently permitted under the existing state program.

Finally, DOA states that while this pilot is similar in concept to the Shared Savings Weatherization Pilot, there are two differences. First, DOA indicates that the mechanism and time frame for recovering costs is different for each pilot. Under this pilot, with the 0% interest loan plan, costs would be recovered when the home is sold or the occupant moves (expected average of ten years after weatherization measures are installed). Under the shared-savings pilot, some costs would be recovered either at the end of the two-year pilot or monthly from a portion of the participant's energy bill savings. Under the shared-savings pilot, the funding mechanisms will stay in place only throughout the two-year duration of the pilot. Second, DOA states that in this pilot, the Conservation Based Energy Assistance Pilot, a cash incentive is provided to attract participants to install weatherization measures similar to those provided under the state weatherization program. In contrast, the shared-savings pilot proposes to install more cost-effective energy efficiency measures than those provided under the state weatherization program as an incentive for participation.

Prepared by: Tricia Collins

Attachments

ATTACHMENT 1

PILOTS

Reporting Requirements	Milwaukee Energy Network Pilot	Shared Savings Weatherization Pilot	Conservation Based Energy Assistance Pilot
TOTAL PROJECT BUDGET	Oil Overcharge Funds \$30,000 170,000 \$200,000	Oil Overcharge Funds \$39,000 161,000 \$200,000 CAP Funds \$0 60,500 \$60,500 Total \$39,000 221,500 \$260,500	Oil Overcharge Funds \$30,000 170,000 \$200,000 CAP Funds \$38,600 47,400 \$86,000 Utility Funds \$1,000 20,000 \$21,000 Total \$69,600 237,400 \$307,000
BUDGET COMPONENTS			
Direct Benefits			
Cash Assistance/Incentives	\$90,000	---	---
Installation of Weatherization Improvements	---	\$106,500	\$131,000
Indirect Benefits			
Case Management Services/Assistance	50,000	---	---
Training/Education	30,000	---	---
Home Energy Audits		26,000	39,000
Administrative Costs			
Amount	30,000	---	---
(% of total funds)	(15%)	---	---
Total Budget	\$200,000	\$200,000	\$200,000
SPECIFIC OBJECTIVES	<ol style="list-style-type: none"> 1. Establish a community network for provision of comprehensive energy services. 2. Provide skills, resources, and incentives to participants to allow them to control energy usage, maintain affordable energy bill payments and become self-sufficient. 	<ol style="list-style-type: none"> 1. Maximize energy savings for participants. 2. Minimize government support needed by participants. 3. Provide sustainable source of funding for local weatherization providers. 	<ol style="list-style-type: none"> 1. Reduce energy use by participants. 2. Build a conservation ethic among participants. 3. Increase use of weatherization program by participants. 4. Provide sustainable source of funding for weatherization program.
IDENTIFIED BENEFITS	<ol style="list-style-type: none"> 1. Case-management/problem solving services. 2. Energy education workshops. 3. Co-payment matching funds for utility payments (up to \$300 a year). 4. Use of vouchers by participants to receive services and copayments. 	<ol style="list-style-type: none"> 1. Expanded energy audits. 2. Expand weatherization services to include other electric service savings. 3. In-home energy education and training. 4. Monthly tracking of energy savings. 5. Shared energy saving arrangements. 	<ol style="list-style-type: none"> 1. Cash incentives paid from LIHEAP funds or CAP funds (not in budget figures). 2. Enhance weatherization services to include housing rehabilitation or household relocation assistance. 3. Zero interest loans arrangements for weatherization services to eligible homeowners and landlords.

ATTACHMENT 2

EVALUATION COMPONENT

Reporting Requirements	Evaluation Component	
TOTAL PROJECT BUDGET	Oil Overcharge <u>Funds</u>	\$80,000
BUDGET COMPONENTS	Description of Component	
Evaluation Plan Development	\$8,000	Develop an evaluation plan for each pilot consisting of the pilot's description, objectives, research issues, time line and reports to be generated.
Data Collection	40,000	Collect data from participants and service providers regarding barriers to program delivery, customer energy usage, billing and equipment information, demographic information and responses to pilot initiatives.
Data Analysis	16,000	Analyze collected data both statistically and qualitatively.
Reporting	16,000	Report to DOA regularly and at the end of the 2-year pilot period on each pilot's effectiveness, feasibility and cost of statewide expansion and recommendations on program modifications.
Total Budget	<u>\$80,000</u>	
SPECIFIC OBJECTIVES	<ol style="list-style-type: none"> 1. Verify and quantify impacts of pilots. 2. Determine statewide expansion capabilities. 3. Determine effectiveness, acceptance and cost of new approaches. 4. Provide information on future design and delivery of low income energy services to ensure cost effectiveness. 5. Provide support for potential modifications of existing federal and state policies and procedures. 6. Identify strategies to reduce utility low income uncollectibles and arrearages. 	
EXPECTED BENEFITS	<ol style="list-style-type: none"> 1. Accurately and objectively assess pilots. 2. Provide data on feasibility of statewide expansion. 3. Develop viable alternatives to existing low-income energy programs. 4. Assess pilot results relative to future delivery of low-income energy services. 	

STATE OF WISCONSIN

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JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Brian Burke
Representative Ben Brancel
Co-Chairs, Joint Committee on Finance

Date: November 26, 1996

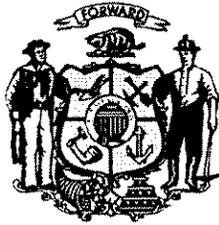
Re: Low Income Energy Assistance Pilot Programs 14-Day Passive Review

Enclosed please find a copy of a letter and attachments from Secretary Klausner concerning three (of four) low income energy assistance pilot programs. This information was requested by the Committee during the September 26, 1996, regular meeting under s. 13.10, Stats. At that meeting, the Committee approved one pilot proposal and required that additional information be provided for the remaining four pilot programs for approval under a 14-day passive review process. The Committee detailed special requirements for the pilot programs and for the evaluation of the proposed pilots. At this time, the Department of Administration has submitted information for three of the four pilots and a description of the program evaluation.

Please review these items and notify Senator Burke's or Representative Brancel's office no later than **Friday, December 13, 1996**, if you have any concerns about the proposals or would like the Committee to meet formally to consider them.

Also, please contact us if you need further information.

BB:BB:jc



November 22, 1996

The Honorable Brian B. Burke
Wisconsin Senate
100 North Hamilton Street
P.O. Box 7882
Madison, WI 53707-7882

The Honorable Ben Brancel
Wisconsin Assembly
119 Martin Luther King, Jr. Boulevard.
P.O. Box 8952
Madison, WI 53707-8952

Dear Senator Burke and Representative Brancel:

On September 26, 1996, the Joint Committee on Finance approved five low income energy assistance pilot programs with a request for further detail on four of them (plus an evaluation component) through a 14-day passive review process. The requested information on three of the four pilots, and the evaluation, is included in the attachments. The Department of Administration (DOA) is continuing to work with the One-Stop-Shop for Energy & Housing Services pilot project to conform to the requirements of the Committee.

Cuts in federal funding for the Low Income Home Energy Assistance Program (LIHEAP) and Weatherization Assistance Program (WAP) have created uncertainty about future funding for low income energy assistance. In response to these concerns, the Joint Committee on Finance (JCF), on April 16, 1996, concurred with Governor Thompson's direction to DOA "to coordinate a thorough exploration of alternatives aimed at achieving a more sustainable low income funding strategy that will continue to meet the needs of Wisconsin as federal funding declines." In response, DOA coordinated the efforts of local low income organizations, county agencies, advocates, utility representatives and other stakeholders to develop a plan to implement various pilot initiatives.

The pilot projects are designed to meet one or more of the following general objectives:

- Provide comprehensive energy efficiency services that reduce the energy burden and increase the affordability and quality of low income housing.
- Improve the efficiency of administering and delivering low income energy services.
- Increase the resources available to assist low income residents in meeting energy needs.

At the September 26, 1996 meeting, the JCF approved one pilot proposal and imposed the following requirements on the remaining four pilots and the evaluation (under terms of a 14-day passive review):

1. A detailed project budget prior to expenditure of funds;
2. A report of the specific objectives of each pilot and an explanation of the specific benefits of pilots that involve similar activities;
3. Total administrative costs cannot exceed 15% of the total funds allocated for the pilot project;
4. Any changes to the amount of an individual pilot's total allocation must be approved by the Joint Committee on Finance.

The Committee was concerned with the level of administrative expense identified in the original proposals. These are pilot projects and as such can be expected to have certain non-standard and one-time costs related to project design and development. Because these pilots are designed to be sustainable, these initial investments are expected to be paid for over the long-term by bringing in additional sources of funding or through savings from improving the efficiency of administering and delivering services. Nevertheless, DOA has revised the pilots to comply with the JFC directive that these expenses be limited to 15 percent of the funds allocated. Where possible, the pilot partners have agreed to contribute additional staff and resources to design and implement the pilot.

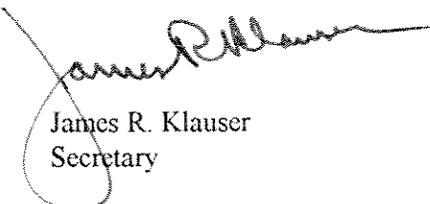
To conform with the intent of the Committee, we have attempted to bifurcate expenses into those that provide benefits to the low income recipient and those that are associated with the state or local staff that administer the pilots. Traditionally, direct benefits have included cash payments, weatherization improvements and utility bill subsidies made to or on behalf of low-income households. In addition to these benefits, we believe the pilots provide many important long-term direct benefits and cash savings to low income people without putting cash directly in their pockets in the short-term. Examples include energy education, counseling to help people manage their budgets and make affordable payments, improved/higher quality services and more efficient service delivery. All of these activities can be cost-effective strategies to save low income households time, money and energy over the long-term.

Each pilot emphasizes personal responsibility regarding energy consumption and contains a sustainable, long-term strategy for statewide expansion. Additionally, each pilot consists of a diverse partnership between local non-profit groups, private sector organizations, local government, state agencies, utilities and other low income stakeholders. The pilots were designed with the understanding that it is vitally important to the State of Wisconsin and its low-income residents that we develop alternative methods to deliver life-saving energy assistance programs with reduced reliance on traditional funding sources. The existing system has worked well, but does not appear to be sustainable in the long-term.

Each of the pilots embodies one or more unique characteristics that distinguish it from existing programs and from each other. We have summarized those unique aspects in the enclosed documents. The evaluation component is not a pilot project *per se* but rather a vital part of the Department's ability to determine whether the objectives of the pilots have been achieved and if statewide expansion is justified and feasible.

Each of these pilot programs offer a high potential for protecting the long-term health and safety of Wisconsin's low income households in the face of declining funding from traditional sources. I urge you to support this request.

Sincerely,



James R. Klauser
Secretary

cc: Nathaniel E. Robinson, Administrator
Division of Energy and Intergovernmental Relations

Patrick E. Meier, Director
Wisconsin Energy Bureau



TOMMY G. THOMPSON
GOVERNOR
JAMES R. KLAUSER
SECRETARY

Milwaukee Energy Network Pilot Program Operated by Community Advocates of Milwaukee

The Department of Administration (DOA) requests approval of \$200,000 in Stripper XVII Oil Overcharge funds to create a Milwaukee Energy Network Pilot program for low income households. This pilot will be funded with Exxon and Stripper XVII Oil Overcharge funds as approved by the Joint Committee on Finance (JCF) on September 26, 1996, subject to this additional information. The appropriation is 20.505 (1) (md).

PROGRAM DESCRIPTION

One-third of Wisconsin's low income residents live in the Milwaukee metropolitan area. Milwaukee also contains a higher concentration of low income minorities, families with children, renters and households living in multi-tenant buildings than other areas of the state. This large and diverse population has a wide variety of energy needs and numerous energy service providers available to meet them, but the services they provide are not well coordinated. Further, increasing competition in the utility industry, the reduction in federal money for energy assistance and welfare reform initiatives are challenging community organizations to develop new ways of providing effective services to low income households. The Milwaukee Energy Network Pilot is designed to help meet these challenges by bringing together community - based organizations, energy providers and local government to provide low income participants with integrated and preventative case-management, education and referral services to reduce utility arrearages and disconnections.

Pilot Objectives

- Establish a network of community - based organizations to connect low income households to comprehensive energy services throughout Milwaukee.
- Provide low income participants with the necessary skills, knowledge, resources and incentive to control energy usage, maintain affordable energy bill payments and become self-sufficient.

Benefits to Low Income Households

Case-management services - Community Advocates and Interfaith Older Adult Programs (both community organizations working in Milwaukee), with cooperation from the Opportunities Industrialization Center of Greater Milwaukee, will provide comprehensive case-management and problem solving services to 250 eligible low income households. These services will help determine the needs of each family, make and coordinate referrals with the program partners, arrange affordable utility payment plans, assist households with compliance with Pay for Performance and W-2 requirements and require households to attend and complete energy education workshops.

Energy education - The University of Wisconsin-Milwaukee will offer a series of workshops to teach low income households basic skills on how to save energy, control energy bills, identify energy related safety hazards, manage their budget and make responsible decisions. The workshops will also provide information on the programs and services available to various segments of the low income population

that will help them achieve self sufficiency. Each workshop cycle will consist of four two-hour seminars that meet once a week for a month. Each participant must complete all four sessions to receive other program benefits and a certificate of completion. A total of 12 workshop cycles will be provided to 150 low income households over a 12 month period.

Co-payment matching funds - Working with the utility partners, the pilot will provide participants with affordable utility payment plans. These plans will provide a dollar-for-dollar cash match to households' utility bill payments up to \$25 per month (\$300 per year). Utilities will provide some arrearage forgiveness to households that make regular co-payments. This assistance is a preventative measure that will help participants control their energy bills and restore their credit as well as reduce the frequency, inconvenience and cost of utility disconnections and reconnections.

Vouchers to receive services - Low income households will receive case-management services, energy education and co-payment matching funds through a voucher system. A voucher is a certification of value provided to the household when they enter the system for assistance that can be exchanged for a designated level of service from an eligible provider. After receiving a voucher from a low income household and delivering appropriate services, the provider will submit the voucher to the pilot's fiscal agent to redeem its value. One hundred percent of the voucher payment will be used to cover the direct costs of the provider associated with the services delivered to each household. A memorandum of understanding will delineate the services each pilot partner is responsible for providing.

Program Operation

Community Advocates will serve as the lead agency and fiscal agent for the pilot, working in partnership with Interfaith Older Adult Programs, the Opportunities Industrialization Center for Greater Milwaukee (OIC), Wisconsin Gas, Wisconsin Electric, Radio Oil (a major fuel oil dealer in Milwaukee) and the University of Wisconsin-Milwaukee. Community Advocates and Interfaith Older Adult Programs staff will coordinate the Milwaukee Energy Network and provide case management and referrals services for pilot participants. UW-Milwaukee will staff and develop materials for the energy education workshops. Wisconsin Gas, Wisconsin Electric and Radio Oil will supply energy consumption data and work with Community Advocates and Interfaith to develop affordable payment plans and provide arrearage forgiveness.

Program services and vouchers will be marketed to low income households primarily through 15 neighborhood Family Resource Centers and 17 neighborhood Interfaith Services Centers in the Milwaukee metro area. These centers will also link participants to child care, nutrition, employment, counseling and education programs to name a few.

Budget

Administration, Staff Support and Program Delivery

Salaries and Fringe Benefits	\$24,300
Administrative Support	\$1,600
Occupancy, Telephone, Travel and Supplies	\$4,100
Subtotal (15% of oil overcharge funds)	\$30,000

Low Income Services

Case-management Services (250 vouchers @ \$200 each)	\$50,000
Energy Education (150 vouchers @ \$200 each)	\$30,000
Co-Payment Matching Funds (300 vouchers @ \$300 each)	\$90,000
Subtotal	\$170,000
Total Oil Overcharge Funds Requested	\$200,000

ANALYSIS

The primary goal of this pilot is to establish a network of community based organizations to connect low income households to comprehensive energy services throughout Milwaukee. Integrated case management, energy education and referral services will give low income participants the necessary skills, knowledge and resources to control energy usage, maintain energy bill payments and become self sufficient. If successful, Milwaukee will serve as model for other communities throughout Wisconsin.

This pilot is designed to improve the delivery of low income energy services in Milwaukee in three key respects. First, by pooling community resources, it will provide proactive and comprehensive services instead of a piecemeal approach. This will reduce the need for emergency services. Second, it will provide the education and counseling needed to help low income households reduce energy usage and make affordable energy bill payments. Third, it will offer better access to services for low income elderly, disabled and families without adequate transportation by allowing them to apply for services at neighborhood centers dispersed throughout Milwaukee rather than at one central location.

Initiating the pilot this fall would allow local agencies to test the concepts and deliver the benefits during this upcoming heating season. If additional federal cuts are made in the near future, Wisconsin could potentially use the results of the pilots to justify modifications or waivers to federal rules.

CONCLUSION

Given the uncertainty of federal and utility support for low income energy assistance, it becomes increasingly important to help low income households develop the skills, resources and incentives to manage their energy needs. The Department of Administration has worked with local community agencies to design this Milwaukee Energy Network Pilot project to create a comprehensive and integrated "whole customer" approach for developing those abilities. The pilot will build the foundation necessary to allow low income households to avoid future energy crisis situations by pooling community resources to provide innovative solutions to individual problems and the education needed to avoid them. By establishing affordable payment plans and providing limited assistance to reduce utility arrearages, the pilot will encourage participants to make continuous energy payments and thus "work their way out of" past problems. In both cases, the pilot focuses the attention of the participant on personal responsibility for solving problems rather than assuming that responsibility at a governmental level.

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Shared Savings Weatherization Pilot Program Operated by Southwest CAP and West Central CAP

The Department of Administration (DOA) requests approval of \$200,000 in Stripper XVII Oil Overcharge funds to create a Shared Savings Weatherization Pilot program for low income homeowners in an 11-county area of Southwest and West Central Wisconsin. This pilot will be funded with Exxon and Stripper XVII Oil Overcharge funds as approved by the Joint Committee on Finance (JCF) on September 26, 1996, subject to this additional information. The appropriation is 20.505 (1) (md).

PROGRAM DESCRIPTION

Under the state weatherization assistance program, weatherization providers are allowed to install certain cost-effective energy efficiency measures that are identified through a computerized audit. This audit contains a prescribed set of measures that focuses on reducing space heating costs. Under utility weatherization programs, weatherization providers can install a broader range of measures that also reduce electric consumption. However, many measures that are cost-effective from a customer's perspective are not installed because they do not pass the utilities avoided cost test. The result under both programs is that many cost-effective measures that could further reduce low income energy bills are often overlooked. Furthermore, occupants are seldom given information on behavioral modifications that may be necessary to achieve energy savings.

The Shared Savings pilot program will address these problems by allowing weatherization providers to install a comprehensive mix of cost-effective energy saving measures and to provide education and training for occupants on actions they can take to maximize and maintain savings. It will also allow weatherization providers to recover a portion of the efficiency measure installation costs by sharing a portion of the energy savings with participants. This "shared savings" approach will give providers a sustainable source of funding to weatherize additional low income households.

Pilot Objectives:

- To maximize energy savings and minimize government support needed by low income households by installing cost effective energy efficiency measures and providing site-specific energy education.
- To provide a sustainable source of funding for local weatherization providers to deliver services to additional low income households.

Benefits to Low Income Households

Expanded energy audit and measure installation - The program operators will provide an expanded home energy audit to identify all major cost effective energy saving opportunities. This expands the existing weatherization program's focus on space heating related efficiency measures, to include cost effective electric saving measures, such high efficiency lighting, refrigeration and water heating. By including these measures, the program will capture missed opportunities and provide a higher level of energy savings for low income participants.

In-home energy education and training - Comprehensive, on-site energy efficiency education and training will be made available to help participants maximize and maintain energy savings. The training will start and be tailored to each household by discussing the cost reduction opportunities identified through the expanded audit. Participating customers will be required to sign a commitment to maintain the home in an energy efficient manner consistent with the training received. This agreement encourages customers to actually achieve and maintain potential energy savings.

Monthly tracking of energy savings - Following the in-home training, CAP program staff will monitor energy consumption and track savings. This information will be provided to the participant on their monthly energy bill. This will provide an incentive to maximize and maintain savings by identifying the accumulating savings. If the actual consumption reductions for an individual home fall below the estimated (weather-adjusted) reduction, program staff will revisit the home to determine why savings are low and provide additional in-home training or equipment service to achieve the anticipated energy consumption reductions.

Customers choose how savings will be received - Another innovative concept in this pilot is to offer customers a choice of receiving some of the savings immediately and continuously after the installation of measures or placing them in an escrow account to be returned with interest at some designated interval such as quarterly, annually or at the end of the two-year pilot. In either case, customers will be notified of their savings on their monthly energy bills. Also, the local CAP will retain a portion of the estimated savings during the first two years to defray a portion of the costs of installing the measures and provide energy efficiency services to additional low income households. After two years, both options will return 100 percent of the savings to the participant through lower energy bills throughout the remaining life of the measures (up to 20 years).

It is worthwhile to note that level of dollars recaptured by local providers is low compared to the investment made in energy efficiency measures because of the relatively short period of time to conduct the pilot. Under the current weatherization program, it takes an average of approximately 10 years to recoup the entire investment through the reduction in energy bills. The goal of the shared savings pilot (combined with in-home energy education) is to show that low income households can make a contribution to the program while receiving significant energy savings. If the pilot proves to be successful, the shared savings arrangement could be designed to recover additional program dollars by extending it over a longer period of time or increasing the percentage of savings to be recovered over a shorter period of time.

Program Operation

TecMRKT Works, a private consulting firm, is the lead organization for this project. The principals have over 20 years of experience conducting and managing low income program evaluations and redesigning programs as a result of evaluation findings. They will work in partnership with West Central CAP of Eau Claire and Southwest CAP of Dodgeville to design the program, establish administrative and financial tracking systems, monitor on-going operations and provide support and consultation. The CAP agencies will implement the program in conjunction with their traditional weatherization activities. Both CAPs have experienced teams currently in the field delivering weatherization and rehabilitation services to low income owners, renters and landlords.

The pilot program will operate in the following manner: CAP agencies will identify participants and conduct on-site energy audits to identify cost-effective energy saving actions. With this information, the

CAPs will help participants establish an energy bill payment structure. A formal agreement will specify the energy efficiency measures and on-site energy efficiency training to be provided. The agreement will also encourage personal responsibility by requiring occupants to formally agree to implement certain lifestyle changes which will reduce their energy bills. Once the measures are installed and the training is complete, participants will pay their normal monthly utility bills to the CAP. The CAP will then pay participants' reduced utility bills and retain a portion of the savings to recover part of the cost of installing the measures. The remaining savings will be returned to the homeowner on a schedule to be established on a case specific basis.

This pilot is designed to provide comprehensive energy efficiency services to 30 low income households. The cost of materials and labor to install energy efficiency measures is \$5,566 per household for the pilot. For comparison, the average expenditure for dwellings needing major heating system repairs under the state weatherization program is about \$3,600 per household. Since the state program does not specify a cap on expenditures per household, this figure is the result of the typical measures that are selected through the computerized audit. The higher cost of the pilot is the result of installing additional cost-effective energy efficiency measures such as compact fluorescent lights, water heaters, refrigerators and windows. This extra cost is offset over time by providing greater savings to customers and recovering a portion of the costs that can be used to provide services to other low income households. The rest of the costs to implement the pilot can be attributed to providing energy education to participants and the additional startup and development costs of running any pilot.

Budget

Administration, Staff Support and Program Delivery

Develop Implementation Plan	\$5,500
Establish Financial and Admin. Tracking Systems	\$10,400
Program Management and Reporting	\$17,700
Identify and Enroll Participants	\$5,400
Subtotal (15% of total budget)	\$39,000

Low Income Services

Conduct Audits and Establish Participant Agreements	\$13,500
Provide In-house Energy Education and Training	\$15,000
Install Energy Efficiency Measures	\$167,000
Collect/Pay Participant Bills and Return Savings	\$21,000
Client Assistance/Problem Solving	\$5,000
Subtotal	\$221,500

TOTAL BUDGET \$260,500

Cash Match from Community Action Agencies \$60,500
Total Oil Overcharge Funds Requested \$200,000

ANALYSIS

This pilot program is designed to maximize the energy savings available to low income households and provide a sustainable source of funding for local weatherization providers. Weatherization is a preventative measure that provides long-term savings to low income households. It is also a wise investment for society that reduces the need for LIHEAP funds to pay heating bills. The 40 percent cut in FFY 1996 federal funding for weatherization has reduced the capacity of local weatherization

agencies to serve low income households. This pilot could help reverse this trend by allowing providers to recover a portion of the costs of installing energy efficiency measures. If successful, the shared savings concept could be easily transferred to other weatherization operators throughout Wisconsin.

This pilot explores several innovative concepts that are not part of the current low income weatherization programs. First, the shared savings arrangement provides a sustainable funding mechanism for local agencies to weatherize additional low income households instead of making grants and relying entirely on uncertain federal funding. This can be accomplished while providing a positive cash flow for customers. Second, by providing whole house energy efficiency services, the pilot will give participants the ability to capture missed opportunities and achieve a higher level energy savings. These additional savings and the recovery of a portion of the installation costs can justify the higher cost per customer to run the program. Third, by providing in-home energy education and requiring participants to sign an agreement to live an energy efficient lifestyle, the pilot gives customers with the knowledge and ability to control their energy bills. It also provides an incentive to maximize and maintain long-term energy savings.

This pilot will expand the impact of weatherization services by creating a mechanism that requires no immediate cash outlay on the part of the beneficiary. In this respect, it is similar to the Conservation Based Energy Assistance pilot proposed by CAP Services. However, this pilot proposes the use of a shared-savings concept that does not rely on a financing source for the interest rate subsidy. While requiring a greater level of bookkeeping, this approach, if successful, could be modified to work with no external funding at all.

This pilot will require the creation of various financial and energy use tracking systems which, once created, can be transferred to other areas. If successful, the cost of transferring the pilot's concepts, delivery mechanisms and administrative systems to other local agencies statewide should be minimal. Further, by expanding these concepts statewide, Wisconsin could dramatically improve the quality of its' low income housing and reduce the long-term need for LIHEAP.

CONCLUSION

Substantial uncertainty exists concerning the future of federal and utility support for low income energy assistance in Wisconsin. In response, the Department of Administration has developed this Shared Savings Weatherization pilot project in an attempt to identify a method of providing these benefits in a sustainable manner with reduced reliance on government funding. The Department anticipates that this pilot will establish the feasibility of using a shared savings concept, which is well established in commercial and industrial settings, in low income residential setting. This pilot will allow low-income households to reduce their utility bills without making a cash outlay for the weatherization investment. Success in this pilot will require participating households to forgo a portion of the immediate savings to repay the cost of the weatherization measures.



Conservation Based Energy Assistance Pilot program Operated by CAP Services, Inc.

The Department of Administration (DOA) requests approval of \$200,000 in Stripper XVII Oil Overcharge funds to create a Conservation Based Energy Assistance Pilot program for low income households in Waushara County. This pilot will be funded with Exxon and Stripper XVII Oil Overcharge funds as approved by the Joint Committee on Finance (JCF) on September 26, 1996, subject to this additional information. The appropriation is 20.505 (1) (md).

PROGRAM DESCRIPTION

Wisconsin's Low Income Home Energy Assistance Program (LIHEAP) provides higher levels of energy assistance to low income households with the greatest energy burdens (highest energy consumption and lowest income). While this concept is effective at providing higher benefits to households with the greatest need, it provides little to no incentive for households to reduce energy consumption or increase income. A household that reduces consumption and increases income will receive a lower LIHEAP benefit (or none at all) and often pay a similar amount toward their energy bills as they would have by taking no action. To address this concern, the Conservation Based Energy Assistance pilot will offer a one-time cash incentive to low income participants who take actions to reduce energy use.

Another problem with the current system is the lack of funding to weatherize many of the low income households that receive LIHEAP benefits. In 1995, 115,628 households in Wisconsin received LIHEAP benefits while only 6,126 households were weatherized. From 1981 through 1995, approximately 115,910 dwelling units in Wisconsin were weatherized under the state program. This represents an estimated 34 percent of the low income households in Wisconsin eligible for weatherization. The pilot will address this unserved need by using oil overcharge funds to install weatherization measures and by requiring repayment of these costs through zero interest loans, deferred until the home is sold or no longer occupied by a low income household. This will provide a sustainable source of funding for local weatherization providers to weatherize additional low income households that does not require an immediate cash outlay on the part of the beneficiary. In addition to lowering participants' energy bills, the weatherization measures will increase the value of home, providing justification for the loan.

Pilot Objectives

- Reduce the energy use of households receiving energy assistance by offering incentives for enhanced weatherization and energy conservation measures.
- Increase participation in the weatherization program.
- Recover some or all of the assistance provided through the weatherization program to ensure a long-term capacity to weatherize low income dwellings.
- Build a conservation ethic among low income households by rewarding them for using energy efficiently.

Benefits to Low Income Households

Incentives to Reduce Energy Use - The pilot will offer two types of cash incentive payments to participating households. One will be provided to households that reduce energy consumption on their own. This will be a one-time payment based on a percentage of the energy saved during the 1996-97 winter compared to the 1995-96 winter (adjusted for weather). It will average \$20 per household and would be available to approximately 600 households. A second incentive will be provided to low income households that receive weatherization. This incentive will consist of a maximum cash payment of \$100 per household and would be available to the 78 households weatherized under the pilot. The total maximum cost of providing both incentives is \$19,800.

CAP Services proposes to use existing LIHEAP funds to pay for these incentives, which would be added to recipients' regular LIHEAP benefit. CAP Services will meet with DOA's LIHEAP operators and Waushara County Social Services to determine the feasibility of this option as well as incentive levels. If it is not feasible, CAP Services has agreed to provide incentive payments with funds from the pilot partners.

Enhanced Weatherization - Weatherization services will be expanded to include housing rehabilitation or relocation assistance if landlords refuse to participate or if the dwelling cannot be made energy efficient. Relocation will be offered when tenants' leases expire and will cover the cost of moving participants to dwellings that have been weatherized or meets energy codes. CAP Services is proposing to finance relocation with Waushara County LIHEAP crisis assistance funds at an average cost of about \$200 per household.

CAP Services anticipates achieving an average 29 percent reduction in heating bills for each low income household or about \$232 per year. This figure is based on a national evaluation conducted by the U.S. Department of Energy, in which CAP Services achieved the third highest savings of any weatherization program in the nation.

Zero Interest Loans - CAP Services will provide zero interest loans to eligible home owners and landlords, deferred until the home is sold or no longer occupied by a low income resident. Landlords will be required to pay 25 percent in cash upon signing the contract, with the remaining 75 percent financed through the no interest loan. CAP Services has successfully implemented this loan option in its housing rehabilitation program. This existing program has shown an average occupancy of ten years for low income households, at which time money is returned to the program to provide additional services and loans. With continued commitment, this offers a reasonable potential for service providers to become self-sufficient and reduces the need to rely solely on federal funding.

Program Operation

CAP Services, Inc. of Stevens Point will lead this pilot in Waushara County (population 20,000), working in partnership with Waushara County Social Services, Wisconsin Gas and Wisconsin Power & Light. CAP Services will be the legal entity for grant administration and reporting. CAP Services also will identify program participants, weatherize units, establish loan arrangements and coordinate all public and utility funded weatherization and housing rehabilitation activities. Waushara County Social Services will administer the LIHEAP portion of the program, collect fuel consumption data from the utility partners and assist in determining the amount of cash assistance and incentive payments. Wisconsin Gas and Wisconsin Power & Light will share information on previously weatherized units and fuel consumption and provide funds for weatherizing units.

Of the 815 Waushara County households that received fuel assistance during the 1995-96 heating season, an estimated 296 have been previously weatherized by CAP Services or utilities. To identify potential program

participants, CAP Services will conduct energy audits on the remaining 519 unweatherized homes that receive LIHEAP. It is anticipated that 78 of these households will receive weatherization and rehabilitation services at an average installed cost of \$2,545 (not including administrative costs). This is similar to the average cost per household in the state weatherization program.

Budget

Administration, Staff Support and Program Delivery

Wages and Salaries	\$20,000
Administration & Audit	<u>\$10,000</u>
Subtotal (15% of oil overcharge funds)	\$30,000

Low Income Services

Housing Inspections and Audit	\$39,000
Weatherization Measure Installation	<u>\$131,000</u>
Subtotal	\$170,000

Total Oil Overcharge Funds Requested **\$200,000**

Contribution from CAP Services, Inc.	\$86,000
Contribution from Wisconsin Gas and Wisconsin Power & Light	\$21,000

TOTAL BUDGET **\$307,000**

ANALYSIS

This program is designed to encourage low income households to reduce energy use and to provide a sustainable source of funding for local weatherization providers. Weatherization is a preventative measure that provides long-term savings to low income households and benefits society by reducing the need for LIHEAP funds to pay heating bills. The 40 percent cut in FFY 1996 federal funding for weatherization has reduced the capacity of local weatherization agencies to serve low income households. This pilot could help reverse this trend by allowing local weatherization providers to recover all or a portion of the costs of installing energy efficiency measures through a loan to low income households. If successful, this concept could be easily transferred to local weatherization operators throughout Wisconsin.

This pilot is different from the existing system of delivering low income energy assistance in two key respects. First, it rewards low income households for taking actions to save energy rather than rewarding households with the highest energy consumption. This offers the potential to increase participation in weatherization programs, reduce the long-term need for LIHEAP, encourage personal responsibility in controlling energy use and improve the quality and affordability of low income housing. Second, it allows weatherization providers to recover a portion of the cost of providing weatherization services, which is not possible under existing programs. This will allow weatherization providers to serve additional low income households rather than relying solely on uncertain federal funding.

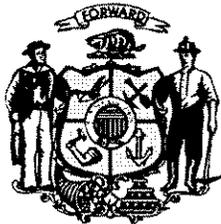
While the concept of recovering a portion of the costs of installing weatherization measures is similar to the Shared Savings Weatherization pilot, this pilot embodies two key differences. First, the mechanism and time frame for recovering costs is different. Under the zero-interest loan option, costs are recovered when the home is sold or the occupant moves, providing source of revenue for weatherization providers over the long-term. Under the shared-savings option, costs are recovered monthly from a portion of the participant's

energy bill savings (for two years). This provides a more continuous stream of revenue for weatherization providers, but is more difficult to administer than the loan option. Neither option requires an upfront cash outlay on the part of the beneficiary. However, households with the zero interest loans receive all of their energy savings until they sell the home or move. Second, this pilot provides a cash incentive to attract participants and reduce energy use, while installing weatherization measures that are similar to the existing state program. The shared savings pilot offers to install more cost-effective energy efficiency measures that provide greater energy savings as an incentive for participation.

This pilot needs to be implemented as soon as possible to allow the local CAP agencies to test the pilot concepts during this upcoming heating season. If additional federal cuts are made in the next few years, Wisconsin will be able use the results of this pilot to justify modifications or waivers to federal rules that would permit other local agencies to operate in this manner under the state program.

CONCLUSION

Substantial uncertainty exists concerning the future of federal and utility support for low income energy assistance in Wisconsin. In response, the Department of Administration has cooperated with CAP Services to develop this Conservation Based Energy Assistance pilot project in an attempt to provide this assistance in a sustainable manner and reduce Wisconsin's reliance on federal funding. The Department anticipates that this pilot will establish the feasibility of creating a revolving loan fund in which only the interest, rather than the entire amount, is subsidized. This pilot will allow low-income households to reduce their utility bills without making a cash outlay for the weatherization investment. As low-income families move, loans will be repaid from sale proceeds of their homes, which will be higher due to the weatherization measures. The repaid loans will allow local weatherization providers to continue to serve low income energy needs with reduced federal funding.



Evaluation of Low Income Energy Assistance Pilot Programs Conducted by the Energy Center of Wisconsin

The Department of Administration (DOA) requests approval of \$80,000 in Stripper XVII Oil Overcharge funds to conduct an evaluation of Low Income Pilot Projects. This evaluation will be funded with Exxon and Stripper XVII Oil Overcharge funds as approved by the Joint Committee on Finance (JCF) on September 26, 1996, subject to this additional information. The appropriation is 20.505 (1) (md).

EVALUATION DESCRIPTION

A thorough and credible evaluation of the low income energy assistance pilot projects is a critical part of the process of improving the sustainability and delivery of low income energy services in Wisconsin. An evaluation will perform several key functions:

1. Verify and quantify the impacts of the pilots;
2. Determine the feasibility of statewide replicability;
3. Determine the relative effectiveness, acceptance and cost of new approaches for delivering services to low income households;
4. Provide insight into the future design and implementation of low income energy services delivery to ensure the most cost effective investment for society;
5. Provide objective support for potential requests to modify existing policies and procedures at both the federal and state level; and
6. Identify strategies to reduce utility low income uncollectibles and arrearages.

It is imperative that the evaluation be conducted by a well-qualified organization, independent from the agencies operating the pilot projects, to ensure objective and credible results. Given its previous experience and qualifications in energy efficiency research and development and also in evaluation issues, DOA proposes to contract with the Energy Center of Wisconsin to conduct or subcontract (through competitive bidding) the evaluation. The evaluators will meet regularly with the DOA management team to develop an evaluation plan and provide input about the ongoing progress of the projects. The evaluation will be a dynamic process that allows mid-course corrections to pilot program design and delivery as areas of improvement are identified rather than waiting until the pilot is completed.

Work Plan

The evaluation will be completed in four stages.

1. *Evaluation Plan* - A comprehensive evaluation plan will be developed for each pilot project. Each evaluation plan will include a brief description of the project; the evaluation objectives and research issues; data needs, collection and analysis procedures; a timeline with deliverables; and a description of the reports to be generated.

2. **Data collection** - Data will be collected from customers and service providers as required through interviews and existing data sources. The data may include barriers to program delivery; customer energy usage, billing and equipment information; customer demographic information; and customer and service provider responses to new approaches.
3. **Data Analysis** - The data will be analyzed using appropriate statistical and qualitative techniques.
4. **Reporting** - The data will be reported to DOA regularly and at the end of the two-year pilot implementation period. The final report will describe the effectiveness of new approaches and will include recommendations on program modifications and the feasibility and cost of statewide expansion.

The evaluation will consist of three basic types of activities. Each pilot will use these activities in varying degrees due to differences in their objectives and focus.

1. A **process evaluation** of service providers will be conducted to assess the strengths and weaknesses of the design, implementation and administration of the pilot programs. It will also identify the effectiveness of strategies to provide new long-term funding for low income energy assistance programs.
2. A **customer interaction evaluation** will be conducted to determine the customer acceptance of new approaches for delivering energy services.
3. An **impact evaluation** will be conducted to assess the cost effectiveness of new approaches, customer energy savings and behavioral changes, reductions in utility disconnections and arrearages, and other impacts.

Budget

Evaluation Plan Development	\$8,000
Data Collection	\$40,000
Data Analysis	\$16,000
Reporting	<u>\$16,000</u>
Total Oil Overcharge Funds Requested	\$80,000

ANALYSIS

Taken as a group, the pilots address only small sub sets of the low income population that currently receive some form of energy assistance. Without the prospect of statewide expansion, these pilots would be difficult to justify. However, prior to considering statewide expansion, the Legislature, DOA and others will ask for detailed and specific data on the results of each pilot and its cost benefit analysis.

An evaluation is an important tool for understanding and developing the most cost effective, sustainable and viable alternatives to existing programs. The evaluation will not immediately provide direct benefits to Wisconsin's low income households, however, it does provide definite long-term benefits by determining how well the pilots work in guiding the future delivery of low income energy services. Without an evaluation, it will be difficult to accurately and objectively assess the effectiveness of the low income pilot concepts and the potential to expand them statewide.