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Utility Public Benefits

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The development of the concept of a state-run public benefits program began to be explored in the mid-1990s with efforts to restructure the electric utility industry in Wisconsin into separate generation, transmission, and distribution entities. In the context of electric utility regulation, "public benefits" refer to certain activities that have been performed by electric (and natural gas) utilities for the public good under Public Service Commission (PSC) direction or oversight. Generally, these public benefits are activities that: (a) help make energy affordable to low-income households; (b) promote energy conservation, efficient energy systems, and renewable energy sources; and (c) evaluate and mitigate the environmental impacts of energy production and use.

It was viewed by some in the electric and natural gas industry as desirable from a competitive standpoint to shift responsibility for utility-operated, low-income and energy conservation public benefits programs from the utilities to another entity. Public policymakers also wanted to ensure that these programs that were being operated by public utilities would continue in some fashion in a deregulated utility market.

Most low-income assistance programs are now operated by the Department of Administration (DOA) through its Division of Energy. However, the Division's responsibilities relating to the administration of energy efficiency and renewable energy programs will end effective July 1, 2007. At that time, the public utilities will be required to establish and fund statewide energy efficiency and renewable resource programs and contract, on a competitive basis, with one or more persons for the administration of these funds.

The Division will, however, continue to manage

separate federal grant funds for low-income energy programs. Under the state public benefits program, DOA has combined the administration of the low-income energy programs transferred from utilities with the federally funded low-income energy programs as a single, consolidated program.

This paper describes the general history of the development of a state-administered public benefits program, the sources of funding for the program, and the types of programs that are operated with these revenues.

Program History

The origins of the state's public benefits programs can be traced to the development of demand side management programs operated by the state's electric and natural gas utilities. These demand side management programs varied greatly among the state's utilities but, in general, provided incentives for reducing energy consumption or increasing the amount of renewable energy resources.

Beginning in the late 1970s, the PSC started to require the state's major electric utilities to submit biennial advance plans for electric generation and transmission facilities construction in order to meet future projected electric power needs. The Commission used this advance plan approval process to establish policies and programs designed to manage both the supply of, and the demand for, electric power in the state. In the context of controlling the overall demand for electric power, the PSC encouraged individual utilities to provide a variety of energy efficiency

services for their customers. The purpose of these programs was to reduce the overall rate of increase in energy demand, thereby forestalling the need for costly new power plant construction.

The state's major electric utilities began offering these demand side management programs by the mid-1980s. Program activities included such initiatives as providing financial incentives for consumers to purchase more efficient appliances and lighting and offering technical and financial assistance to commercial and industrial customers to improve their operations. By the late 1980s, the Commission began to apply annual energy conservation goals to each utility and develop incentives to encourage third parties, rather than the utilities, to offer these types of energy conservation programs. This shift in focus was made to redesign these demand side management programs and to encourage the development of a private market for energy conservation activities that could operate separately from any on-going utility programs. By 1995, the PSC ordered most of the major utilities to begin a transitional process, whereby the utilities' demand side management programs would be shifted to one or more third parties over a several year period.

At the same time that the major electric and natural gas utilities were undertaking energy conservation programs as part of a larger demand side management strategy, a variety of utility-sponsored low-income programs also began to be offered with PSC oversight and approval. The utilities began providing weatherization assistance programs as a component of their demand side management efforts. These types of programs were first initiated in 1982 and provided financial assistance for the installation of insulation and other energy conservation measures in the homes of qualifying low-income customers. The goal of the program was to reduce these customers' energy needs, thereby making energy more affordable to them.

By the mid-1980's the PSC had ordered the major utilities to establish additional programs

designed to assist low-income customers with their ability to pay energy bills. In some cases, utilities provided direct bill payment assistance for certain customers who were unable to make full payments, while other programs were preventative in nature and were designed to identify customers with severe financial problems and to provide assistance in such matters as household budgeting. The major utilities continued to operate these types of low-income programs into the mid-1990s, a period during which these utilities began to undergo significant changes as a result of historic transformations in the organization and function of the industry.

In September, 1994, the PSC opened a formal docket to explore the costs and benefits of restructuring the electric utility industry. The Commission appointed an Advisory Committee on Electric Restructuring to study and recommend alternative industry structures. The Advisory Committee presented five restructuring options to the PSC in October, 1995.

In April, 1996, the PSC opened another formal docket on public benefits programs that the Commission found to be at risk unless an effort was made to preserve them in a restructured regulatory environment. These types of programs were: (a) energy efficiency programs; (b) services to low-income customers; (c) renewable resource development; and (d) environmental research and development. The PSC established a committee of stakeholders to study issues related to public benefits and to advise the Commission.

In order to understand the nature of the Commission's concerns, it is useful to describe the concept of "public benefits" as it applies to the utility industry.

Public utilities provide a variety of both private goods and public goods that are enjoyed by the public. The former are those products and services that are enjoyed, and paid for, by individuals. The benefits of these private goods flow only to the individuals paying for them. In the utility industry,

the principal private good is the delivery of utility service to the customer. Because private goods are enjoyed by individual customers, their demand for these goods creates the incentive necessary for their commercial production.

By contrast, public goods are those goods whose value cannot be limited to individuals but instead are of value to, and are consumed by, society as a whole (for example, the availability to all members of society of reliable utility service at reasonable cost). Public goods provided by public utilities are termed public benefits. Because these public goods benefit society as a whole, they will exist only if society demands them, such as through government mandate or regulation.

Many of the public benefits that were being provided by public utilities by the mid-1990s were either the direct result of state regulation or were at least ensured by that regulation. The state's utilities were authorized to recover the costs of these activities through rates, but this action had the effect of increasing the costs of service to the utilities' customers.

In a restructured utility industry, the utilities that are currently subject to regulation are likely to be competing with new unregulated entities at the wholesale level and possibly at the retail level. In order for these new unregulated energy producers to lower their costs and compete for customers, it is reasonable to expect that most would not provide on their own initiative the same types of public benefits that the traditional regulated utilities were required to provide. Under such circumstances, it is also likely that the currently regulated utilities would seek to avoid having to provide costly public benefits that their competitors did not have to provide. Thus, for policymakers, an emerging issue in the deregulation debate became the question of who would provide and fund these public benefits, if they were no longer provided by the utilities.

In February, 1997, the PSC submitted a report to the Legislature on restructuring the electric utility

industry. The report discussed the roles of the Commission and the Legislature in the restructuring process, described the Commission's existing statutory authority, indicated the steps that would require statutory changes, and presented a six-year work plan to implement the restructuring. Under the work plan, the PSC proposed to take action on its own or seek legislation on a variety of issues, including an exploration of alternative means to promote renewable energy sources and preparing a work plan on public benefits issues.

In December, 1997, the PSC issued a statement of policy and principles relating to appropriate measures that should be undertaken to maintain or enhance the existing public benefits programs. This Commission statement was based on its review of recommendations presented by the public benefits stakeholders committee established in the preceding year. The Commission's statement indicated that public benefits were an integral part of utility regulation, and the PSC committed itself to their preservation as utility regulation began to undergo dramatic change.

The Commission's statement for the first time enunciated the scope of the public benefits that should be continued. The statement also developed preliminary estimates of the level of funding that should be provided to support these public benefits.

With respect to low-income programs, the goal should be "to increase the affordability of energy services while protecting low-income customers from the health and safety consequences of losing access to energy sources and energy efficient housing. At minimum, the current level and quality of low-income services provided by utilities and government agencies should be maintained."

The following elements should be continued in such a program: (a) increasing the energy efficiency of low-income housing through weatherization and other services; (b) bill payment assistance; (c) early identification programs to provide bill payment and budgeting services to reduce

dependence on bill payment assistance; (d) energy crisis response programs; and (e) research and development to improve the activities and technologies used in other elements of the low-income programs.

The PSC initially identified an annual funding need of \$105 million for these types of programs, of which approximately \$50 million annually would be needed for weatherization and other energy efficiency initiatives. The Commission anticipated that approximately \$46 million annually would be available from the federal government for these types of programs, leaving \$59 million annually that the state might need to raise.

With respect to energy efficiency programs, the goal should be "to create a sustainable market for efficiency and conservation services, that would not need public or regulatory intervention."

The following elements should be continued in such a program: (a) facilitating the transformation of markets for energy efficiency services; (b) insuring the delivery of such services where market barriers currently exist; (c) providing consumer education; (d) promoting renewable energy technologies; and (e) performing research in support of programming and market development activities. The PSC initially identified an annual funding need of \$100 million for these programs.

With respect to renewable energy programs, the goal should be "to bring renewable energy costs down and to stimulate demand for renewable resources. Programs should concentrate on development of customer-sited renewable energy applications and small-scale, customer-sited renewable generation technologies."

The following elements should be continued in such a program: (a) research and consumer education; (b) promotion of customer-based renewable energy technologies; and (c) continued support for the renewable energy assistance program administered by DOA. The PSC initially identified an annual funding need of \$5 million for

these programs.

Finally, with respect to environmental research programs, the goal should be "to ensure that some of the environmental impacts of Wisconsin electric use continue to be addressed, directly or indirectly, by Wisconsin electricity users."

The program should include a commitment to fund a reasonable amount of research in areas that the market will not cover. The PSC initially identified an annual funding need of \$2 million for this program.

In the 1997 Legislature, two legislative proposals were advanced relating to the continuation of public benefits programs in a deregulated utility environment. However, neither proposal was enacted. Following the conclusion of the final floor period in the 1997-98 legislative session, the Joint Legislative Council established a 22-member Special Committee on Utility Public Benefits to develop draft legislation relating to the continuation of public benefits. That Special Committee first met on October 1, 1998, and continued meeting during the first several months of the 1999 Legislature.

Meanwhile, in mid-1998, the Wisconsin Public Service Corporation, an electric and gas utility headquartered in Green Bay with a 23-county Wisconsin service area, proposed to fund a two-year pilot program under which DOA would begin to administer and deliver to the utility's customers most of the demand side energy efficiency programs that the PSC required the utility to offer.

This pilot project (designated the "Wisconsin Focus on Energy") was initiated by DOA to help assess the viability of state delivery of these types of energy efficiency and conservation programs. It was anticipated that upon the conclusion of this original two-year agreement, the continued provision of these energy efficiency and other related programs would permanently transition to DOA, following what was expected to be the adoption by the 1999 Legislature of a

comprehensive utility restructuring initiative. The adopted changes and the resulting program structure in this legislation are described in the following four sections.

Further modifications were made to the public benefits program based on recommendations of a task force on energy efficiency and renewable resources. The task force was created under an executive order issued by the Governor in September, 2003, "to advise the Governor on creative, consensus policy options and practical business initiatives to restore Wisconsin as a leader in energy efficiency and renewable resources, relying upon cooperation among the stakeholders in the energy industry with the goal of reducing Wisconsin's dependence on out-of-state energy and helping to save ratepayers money..."

The task force developed a number of recommendations, with the following specifically related to the public benefits programs:

- Specify that the PSC should set funding levels and energy efficiency targets rather than DOA.
- Annual notifications should be given to utility customers that outline the costs and benefits of the public benefits programs; and
- Seek better integration of the public benefits programs and PSC's strategic energy assessments.

Under 2005 Wisconsin Act 141, the Legislature approved several of the recommendations of the Task Force. The changes that affect the public benefits programs, primarily relating to administration of the energy conservation and efficiency and renewable resource programs, become effective on July 1, 2007, and are described in the last section of this paper. The following sections describe the programs that are in effect until July 1, 2007, and describe the amounts of funding received and expended through the 2005-06 fiscal year.

1999 Wisconsin Act 9: "Reliability 2000"

As part of 1999 Wisconsin Act 9, the 1999-01 biennial budget act, the Legislature incorporated a major initiative affecting public utility holding companies, electric power transmission, public benefits and other aspects to electric utility regulation. This initiative was referred to as "Reliability 2000." Among other things, the Act 9 provisions created a statutory framework that continued and expanded public benefits programs that had historically been provided by public utilities under PSC oversight.

The Act 9 provisions created two statewide public benefits programs. One program awards grants for the following types of activities: (a) energy conservation and efficiency [demand side management] efforts; (b) environmental research and development; and (c) renewable resources development. A second program provides assistance to low-income utility customers. This type of assistance includes low-income weatherization services, payment of arrearages and the early identification and prevention of home energy crises.

The "Reliability 2000" initiative gave DOA the responsibility for administering these public benefits programs. The agency was required to design and administer these public benefits programs on a statewide basis in consultation with the Council on Utility Public Benefits. The Council on Utility Public Benefits is established under s. 15.107(17) of the statutes to advise DOA on the delivery and administration of the public benefits programs. The 11-member Council is attached to DOA. Members are appointed to three-year terms as follows: (a) two members are appointed by the Governor; (b) two members are appointed by the Senate Majority Leader; (c) one member is appointed by the Senate Minority Leader; (d) two members are appointed by the Speaker of the Assembly; (e) one member is appointed by the

Assembly Minority Leader; (f) one member is appointed by the DOA Secretary; and (g) one member is appointed by the PSC Chairperson.

DOA is required to contract with one or more nonprofit corporations to administer the energy conservation and related public benefits programs. The agency must also contract with community action agencies, nonprofit corporations or local units of government to provide the low-income public benefits services.

All of these public benefits program responsibilities were assigned to DOA on a permanent basis. However, by statute, commencing in the 2004-05 fiscal year, DOA must determine whether to continue, discontinue, or reduce any of the public benefits programs related to energy conservation and efficiency and renewable resources measures.

Because the 1999-01 biennial budget act established a state-operated public benefits program, the Legislative Council's Special Committee on Utility Public Benefit Programs permanently adjourned and made no formal recommendations regarding the establishment of such programs.

Funding Public Benefits

Under 1999 Wisconsin Act 9, a segregated utility public benefits fund was established to support the costs of the energy conservation and renewable resources grant programs and those portions of the low-income assistance programs that are not supported by federal funds. Revenues to the public benefits fund are primarily from two sources: (a) certain base level revenues that the public utilities collect from their customers and transfer to the public benefits fund; and (b) new fees collected from customers by all nonmunicipal electric utilities and remitted to the public benefits fund.

Transferred Utility Revenue. The major electric and natural gas public utilities in the state are required to continue to collect revenues from their ratepayers equal to the amounts that these utilities collected from customers in 1998 for utility-sponsored public benefits programs, as determined by the PSC.

In August, 2000, the PSC identified \$99,684,500 of energy conservation and efficiency and low-income assistance expenditures ("public benefits" expenditures) by Wisconsin investor-owned natural gas and electric utilities for the 1998 base year. The PSC reviewed all of these utility expenditures and identified \$32,529,400 annually of activities that were still central to utility operations and should be retained by them for in-house programs. The remaining \$67,155,100 annually was identified for transfer to the state public benefits fund. Table 1 details these 1998 base year expenditure determinations by the PSC.

Table 1: Utility Public Benefits Base Year Funding Commitments and Transfer Requirements (1998 Expenditures as Identified by the PSC)

	Base Year Expenditures	Annual Amounts to be Transferred
Low-Income Programs		
Low-Income		
Weatherization	\$8,503,500	\$8,503,500
Low-Income Uncollectables and Arrearages	16,927,700	11,823,200
Early Identification Program	<u>2,341,100</u>	<u>1,002,400</u>
Low-Income Total	\$27,772,300	\$21,329,100
Energy Conservation and Efficiency Programs		
Energy Conservation and Efficiency	\$69,697,400	\$45,110,400
Environmental Research and Development	1,721,100	624,500
Renewable Resources	<u>493,700</u>	<u>91,100</u>
Energy Conservation Total	\$71,912,200	\$45,826,000
All Public Benefits Total	\$99,684,500	\$67,155,100

Initially, the utilities were to retain the amounts identified by the PSC, but then, over a three-year transition period (calendar years 2001, 2002, and 2003), were required to transfer successively larger

amounts each year to the public benefits fund. At the end of the three-year transition period, the full \$67.2 million identified by the PSC would be transferred annually (and in each year thereafter) to the public benefits fund. Table 2 identifies the annual amounts transferred by the utilities in each state fiscal year during the transitional period (2000-01 through 2002-03) and in subsequent fiscal years. Utilities now transfer \$67.2 million annually to the public benefits fund. Table 3 indicates each major utility's share of this annual amount.

Table 2: Amounts Transferred to the State from Public Utilities (2000-01 to 2005-06)

Fiscal Year	Amount
2000-01	\$7,281,900
2001-02	27,981,500
2002-03	50,357,000
2003-04	67,155,100
2004-05	67,155,100
2005-06	<u>67,155,100</u>
Total	\$287,085,700

Table 3: 2005-06 Transferred Fees Invoiced to Utilities

Public Utility	Transition Funding
WE Energies (Wisconsin Electric)	\$20,765,100
Alliant Energy (Wisconsin Power and Light)	15,954,000
Wisconsin Gas	12,604,200
Wisconsin Public Service Corp.	11,772,200
Xcel Energy (Northern States Power)	3,905,100
Madison Gas and Electric Co.	837,100
Superior Water Light and Power Co.	764,200
Wisconsin Fuel and Light	<u>553,200</u>
Total	\$67,155,100

New Fees. Act 9 also established a new public benefits fee, collected from the customers of all nonmunicipal electric utilities. (Municipal electric utilities and retail electric cooperatives must also

collect new fees, but these revenues are not typically remitted to DOA for the public benefits fund but are retained by these other utilities for their own "commitment to community" programs, described below.) Seventy percent of these new fees must be collected from residential and farm customers, and the remaining 30% must be collected from commercial and industrial customers.

The fee amounts are established annually by DOA by rule [ADM 43]. The Department must set the fee level sufficient to generate \$20 million per year for energy conservation and efficiency and renewable resources programs. For low-income public benefits services, the Department was required to collect \$24 million in the initial year, but for following years, DOA was required to calculate the low-income need target.

By rule [ADM 43.04], DOA calculates this target by totaling all energy bills for households at or below 150% of the poverty level. Once the target is calculated the Department subtracts revenues received from the following offsets: (a) 50% of the amounts charged by municipal utilities and retail electric cooperatives; (b) all low-income heating assistance received from the federal government; and (c) amounts paid to the public benefits fund from transitional payments by public utilities for low-income heating assistance. Table 4 shows the amount of revenue from these new fees for the period 2000-01 through 2005-06.

Table 4: New Fees to the State from Public Utility Customers (2000-01 to 2005-06)

Fiscal Year	Amount
2000-01	\$24,598,600
2001-02	38,509,900
2002-03	45,992,200
2003-04	40,827,200
2004-05	51,320,500
2005-06	<u>57,722,600</u>
Total	\$258,971,000

Each year by March 1, DOA must advise public utilities of the fee amounts that will need to be collected. Utilities must then submit a collection plan to the Department by April 1 showing how they plan to collect the public benefit fees and identifying reasonable and prudent expenses related to collecting these public benefit revenues [ADM 43.07].

The collection plan must show that the amounts assessed to customers are equitably allocated among all of the utility's customer classes, in accordance with the prescribed statutory allocations (70% collected from residential and farm customers and 30% collected from commercial and industrial customers). The Department must review these plans by May 1 of each year. If a proposal is rejected, then DOA must provide reasons for denial and recommended modifications in writing to the utility. The public utility may then either adopt the changes recommended by DOA or protest the Department's conclusions.

Utilities are required to identify the public benefit fees on each customer's bill as a "non-taxable fixed charge." The public utility must make 12 equal payments to the Department, with the first collection due on the 15th day of the month following the initial assessment (interest is assessed for late payments). At the end of each fiscal year, the Department is required to determine whether sufficient amounts were collected by each utility. Over-collections are credited to the next year, and under-collections are added to the following year's assessments. A public utility may request an adjustment once each year to its collection plan due to over- or under-collections.

These new public benefits fees have been collected since October 1, 2000. For residential customers in 2006-07, the fee may not exceed the lesser of 3% of the customer's bill or \$2.97 monthly. For commercial and industrial customers in 2006-07, the fees cannot exceed 3% or a monthly maximum of \$750 per meter. Since these customers may have multiple meters, commercial and

industrial customers may request a refund of any fees that exceed \$750 annually (the statutory maximum for such customers) in any public utility operational area. Table 5 shows the amounts of new fees paid by customers of each public utility in 2005-06.

Table 5: New Fees Payments by Utility -- 2005-06

Utility Name	New Fees
WE Energies (Wisconsin Electric)	\$25,627,800
Alliant Energy (Wisconsin Power & Light)	11,427,100
Wisconsin Public Service Corporation	11,100,500
Xcel Energy (Northern States Power)	6,079,500
Madison Gas & Electric	2,520,800
Northwestern Wisconsin Electric	272,200
Superior Water Light & Power	271,100
Dahlberg Light & Power	249,300
North Central Power	90,500
Pioneer Power & Light	37,600
Consolidated Water Power	25,100
Westfield Electric	<u>21,100</u>
Total	\$57,722,600

The fees collected by the public utilities and remitted to DOA are considered non-lapsing trust funds of the Department rather than income of the utility. Under ss. 76.28 and 76.48 of the statutes, these public benefits fees are not deemed "gross receipts" for purposes of calculating the utility taxes owed by public and municipal utilities and rural cooperatives [See: the Legislative Fiscal Bureau informational paper entitled, "Taxation and Regulation of Public Utilities" for information on utility taxes and the regulation of public utilities.]

The funding requirement for the energy conservation and efficiency and renewable resources portion of the public benefits fee may be adjusted, if DOA determines that some or all of the elements of this program should be reduced or eliminated.

Municipal Utilities and Electric Cooperatives Fees (Commitment to Community Programs). Municipal utilities and retail electric cooperatives have the option of implementing either or both of the public benefits program elements operated by

DOA for their own customers or members. These programs are termed "commitment to community" programs. These municipal utilities and retail electric cooperatives may operate such programs on their own or jointly with other such utilities. However, any customer or member receiving benefits under a commitment to community program may not also receive benefits under the DOA-operated public benefits program.

A municipal utility or retail electric cooperative may also elect not to offer either or both program elements of a commitment to community program, but instead to participate in the DOA-operated program.

Municipal utilities and retail electric cooperatives must collect fees averaging \$16 annually per meter from its customers to fund the program. The municipal utility or retail electric cooperative may charge different rates to different classes of customers to obtain this average collection, however the total increase to any customer's bill may not exceed 3% of the total of every other charge on the customer's bill, or \$750 per month, whichever is less.

A municipal utility or retail electric cooperative has the option of either retaining the fees assessed to its customers in order to support a commitment to community program in its service areas, or of forwarding these collections to DOA, if the utility participates in the DOA program. Where a municipal utility or a retail electric cooperative elects not to implement one or both of the two basic types of public benefits programs, it must remit the respective portion of the fee revenues to DOA for deposit to the public benefits fund, in which case the customers of the municipal electric utility or retail electric cooperative would be eligible for state public benefits program funds. DOA estimates that approximately \$8.3 million was collected in 2005-06 by municipal utilities and retail electric cooperatives for their commitment to community programs. Of these amounts, \$920,400 was remitted to DOA in 2005-06 by municipal electric utilities or retail electric cooperatives that

participate in the DOA public benefits programs.

According to DOA, in 2005-06, nine of the state's 24 retail electric cooperatives and seven of the state's 82 municipal electric utilities had elected to participate in the DOA-operated low-income public benefits program. During this same year, 17 municipal electric utilities participated in both the DOA-operated low-income public benefits programs and the energy conservation and efficiency public benefits programs.

Additional Funding. In addition to the amounts transferred from public utilities and the mandatory new fees collected from public utility customers, there are two additional smaller sources of state revenue for the public benefits fund. First, voluntary contributions by utility customers may be made to the public benefits fund. Second, the State of Wisconsin Investment Board (SWIB) manages the balances in the public benefits fund and investment earnings are credited to the fund.

Utilities are required to offer customers an opportunity to make voluntary contributions, along with their regular bill payments, either to the low-income assistance component of the public benefits program or to the energy conservation and efficiency and renewable resources component of the program. Each utility must offer customers the opportunity to make such a contribution at least annually. Utilities are also free to offer this opportunity more often, if they wish. Where a customer elects to make a voluntary contribution, the additional amount is added to the customer's regular billing. DOA reports that since the inception of the public benefits fund, there have been voluntary contributions totaling \$6,800. In 2005-06, \$10 was contributed.

The State of Wisconsin Investment Board is authorized under s. 25.17(1)(xm) of the statutes to invest the available balances in the public benefits fund. Since the inception of the public benefits fund, SWIB investment earnings credited to the fund have amounted to \$2,739,400. In 2005-06, investment earnings were \$1,115,400.

As described in a following section on low-income programs, the state receives federal funds for various energy programs affecting limited income households. The provisions of Act 9 establishing the public benefits program essentially viewed state public benefits funding for low-income programs and the federal low-income funding as two sources of funding for the same purpose. While the annual amount of federal low-income program funding received by the state is used as part of the formula for setting the amount of public benefits new fees that must be assessed each year from utility customers for the low-income component of the state program, the federal funds are not actually considered to be a part of the public benefits fund. The federal funds continue to be administered as a separate program.

Table 6 summarizes amount of transferred utility revenues, new fees, municipal electric utility and retail electric cooperative fees, investment earnings and individual contributions to the public benefits fund since 2002-03.

Public benefits fund revenues are expended for two broad categories of programs: (a) energy conservation and efficiency and renewable resources programs; and (b) low-income assistance programs. These programs are discussed in the following sections.

Energy Conservation and Efficiency and Renewable Resources Programs

When DOA awards grants for energy conservation and efficiency and renewable resource projects, the Department must give priority to those proposals that are directed at energy conservation or efficiency markets that are the least competitive in promoting environmental protection, electric system liability, or rural economic development. Further, DOA must award at least 1.75% of the total grant amounts for environmental research and development for the electric industry. Finally, the Department must award 4.5% of the total grant amounts to proposals that encourage the development or use of customer applications of renewable resources.

Annually, beginning on December 31, 2004, DOA must submit recommendations to the Council on Utility Public Benefits on whether to continue, reduce, or discontinue any energy conservation and efficiency and renewable resource programs. The report must include a determination of whether each program has been satisfied by the private sector market. By March 1, of that fiscal year the Department must determine the appropriate amount of funding for each program.

Table 6: Public Benefits Fund Revenue by Source (2002-03 through 2005-06)

Revenue Source	2002-03	2003-04	2004-05	2005-06
Transferred Utility Revenue	\$50,357,000	\$67,155,100	\$67,155,100	\$67,155,100
New Fees	45,992,200	40,827,200	51,320,500	57,722,600
Municipal Electric and Co-op Fees	978,000	900,300	915,600	920,400
SWIB Investment Earnings	323,000	282,400	649,300	1,115,400
Voluntary Contributions	<u>4,500</u>	<u>2,100</u>	<u><100</u>	<u><100</u>
Total	\$97,654,700	\$109,167,100	\$120,040,500	\$126,913,500

In December, 2004, the Department recommended continuation of energy conservation and efficiency and renewable resource programs. This recommendation was approved by the Council on Utility Public Benefits. No recommendation was provided in early 2006, as 2005 Wisconsin Act 141 modified future funding for energy conservation and efficiency and renewable resource projects.

Table 7: Energy Efficiency Program Expenditures by Vendor (2005-06)

Program	Contractor	Amount
Residential	Wisconsin Energy Conservation Corporation	\$17,859,900
Business	Wisconsin Energy Conservation Corporation	16,214,300
Renewable Energy	Wisconsin Energy Conservation Corporation	2,459,100
Environmental	Energy Center of Wisconsin	1,091,800
Evaluation	PA Consulting	1,166,400
Compliance	Virchow Krause	<u>168,900</u>
Subtotal		\$38,960,400
IT Consulting and DOA Operations		<u>\$813,100</u>
Total		\$39,773,500

Vendor Solicitation. Under provisions of s. 16.957(3)(b) of the statutes, DOA, through its Division of Energy, is required to contract with one or more nonstock, nonprofit corporations for the administration of the energy conservation and efficiency and renewable resource programs. The Department has established rules [ADM 44] specifying the manner in which vendors may apply, the criteria for selection, and the criteria for the continuation, reduction, or discontinuation in contract amounts for programs.

The Division of Energy must provide reasonable public notice of the solicitation for grant proposals. The information must include the scope of each grant proposal, the purpose of the grant, vendor selection criteria, application procedures, and all applicable deadlines, or information on how to obtain such information.

Prior to grant solicitation, the program administrator must submit the criteria that will be used for evaluating the applications and for selecting a contractor. These criteria are used to measure: (a) compliance with the statutory requirements for energy conservation and efficiency and renewable resource programs; (b) compliance with policies and goals of the public benefits program, as issued by the DOA (c) qualifications and financial soundness that the applicant must meet; (d) technical feasibility of and quality of proposed work plan; and (e) any other factors determined relevant by DOA and the program administrator.

The program administrator has the option either of selecting a single vendor for program delivery or negotiating with several potential vendors, if such a combination would better meet the program's objectives.

Table 7 indicates the current vendors that have been selected by DOA to operate various programs of the energy conservation and efficiency and renewable resource component of the state public benefits program, the program responsibility area of each vendor, and the amounts expended by each vendor in 2005-06.

Residential Program Descriptions. The residential component of the energy conservation and efficiency and renewable resource grant program includes the following activities.

Apartment and Condominium Efficiency Services. This program provides energy efficiency information for residents of apartments and condominiums as well as developers and owners of apartment and condominium buildings. The program provides information to aid residents in keeping their apartments and condominiums at a comfortable temperature while making them more energy efficient, including recommendations for Energy Star qualified products. The program also provides developers and owners with ways to maximize energy efficiency, reduce labor and operating costs, and improve tenant comfort and satisfaction. Finally, the program can aid owners of new and existing apartment or condominium

buildings in utilizing renewable energy as a main energy source.

Energy Star Products. This program works with manufacturers and retailers to encourage consumers, through incentive programs or consumer education, to purchase Energy Star qualified products. These types of products are highly energy efficient appliances, heating and cooling systems, home electronics, lighting, and office equipment.

Home Performance with Energy Star. This program serves existing housing markets, through two primary components. First, the Building Performance Initiative operates in partnership with contractors and insulators to increase the comfort, safety, durability and energy efficiency of existing homes. Second, the Efficient Heating and Cooling Initiative operates cooperatively with manufacturers and distributors to provide training for participating contractors and rebate incentives for consumers that install high efficiency heating or cooling equipment.

Targeted Home Performance with Energy Star. The program operates in partnership with both private contractors and the state's weatherization agencies to provide "whole-house" energy efficiency services and emergency furnace and water heater replacement subsidies for households that have an annual income between 150% and 200% of the federal poverty level (see Appendix I for the federal fiscal year 2006 poverty guidelines). Households with annual incomes of less than 150% of the poverty level may also be eligible for low-income emergency furnace repair and replacement funding under the Low-Income Home Energy Assistance Program.

Wisconsin Energy Star Homes. This program operates with builders and their subcontractors to certify new homes that meet required standards for comfort, safety, durability and energy efficiency.

Efficient Heating and Cooling. This program provides information on, and rebates for, certain

energy efficient furnaces, central air conditioners, and boilers.

Business Program Descriptions. The business component of the energy conservation and efficiency and renewable resource grant program includes the following activities.

Industrial. This program operates to encourage industrial enterprises to install energy saving equipment and to adopt a systematic, long-term approach to use best practice energy management techniques to optimize energy usage. The program encourages customers and market providers to increase the sales of energy efficient equipment that will result in sustainable energy savings for the long-term. The program targets energy intensive industries such as forest products (pulp and paper), food processing, chemicals, plastics, metal casting, and water and wastewater plants.

Commercial. This program operates to encourage commercial businesses to market energy efficient products and services. Targeted sectors include: grocers, the hospitality industry (lodging and restaurants), and health care providers (hospitals, nursing homes, and clinics.)

Schools and Local Government. This program operates to inform building administrators for local units of government, public and private primary and secondary schools, and technical and private colleges about energy usage and to encourage the purchasing of energy efficient equipment and products.

Agriculture and Rural Businesses. This program operates to install energy efficient equipment in dairy operations, cash crop operations, and rural agribusinesses practices. The program works with customers, distributors, and other service providers.

Efficient Heating and Cooling. This program provides information on, and rebates for, certain energy efficient furnaces, central air conditioners, and boilers.

Efficient Lighting. This program provides information on energy efficient lighting options, including fluorescent bulb alternatives, light emitting diodes (LED) for exit signs, task lighting, lighting control systems, daylighting controls, and occupancy sensors.

Renewable Energy Program. Under the renewable energy component of the energy conservation and efficiency and renewable resource grant program, DOA must award 4.5% of the funding available under this component of the public benefits program to projects that encourage the development or use of customer applications of renewable resources in Wisconsin.

Typically, grants are made to provide business and marketing incentives for new renewable energy companies; support product or process feasibility studies, support demonstration projects, provide research and development seed money; and support education and training events.

The renewable energy program provides programs and services in the following five target markets: (a) solar electric; (b) commercial solar hot water; (c) wind energy (emphasis on commercial-sized wind turbines); (d) biomass digesters; and (e) non-residential wood heat.

Environmental Research and Development Program. Under the environmental research and development component of the energy conservation and efficiency and renewable resource grant program, DOA must award 1.75% of the funding available under this component of the public benefits program to projects that promote such activities in the electric industry. Typically, this funding is awarded for research on the environmental impacts of electric generation and distribution. Other types of research funded under this component of public benefits have been studies of ways to improve on current designs to mitigate the environmental impact of electric generation and distribution.

With respect to this program, DOA has

developed funding priorities for projects that study: (a) the effects of electrical generation on human health (such as, measuring and monitoring mercury, fine particulates, and hazardous air pollutants); (b) the effects of greenhouse gases; (c) the impacts of energy facility siting (such as, new wind and biomass generation facilities); and (d) the environmental monitoring of pollutants.

Other Programs. Funding is also provided under the energy conservation and efficiency and renewable resource grant program for evaluation, marketing, and compliance activities.

An evaluation component monitors the reported program impacts of the various energy conservation programs being funded by the public benefits program. The purpose of this evaluation is to verify that reported energy and cost savings have been achieved. Additional information of this activity is provided below in the discussion of program outcomes.

A compliance component provides independent financial audit services of each contracted program administrator.

A marketing component provides customer communications services, advertising, and general information relating to the energy conservation and efficiency and renewable resource program. The vendor also engages in a variety of market research activities. Currently, marketing is not budgeted separately but is funded by vendors that operate residential, business, and renewable energy programs.

Program Outcomes. The energy conservation and efficiency and renewable resource component of the public benefits program has been in place such that meaningful energy and cost savings can be tabulated over a five-year period (2001-02 through 2005-06).

The Department, along with the evaluation and market research vendors, has sought to develop methods by which the benefits provided through

the various energy conservation and efficiency and renewable resource projects may be evaluated. The Department has attempted to measure a variety of potential benefits, including: (a) improvements to the energy efficiency and reliability in the state, (b) reductions in the environmental impact of energy usage; and (c) secondary societal benefits.

Improvements to Energy Efficiency and Reliability. The Department, through its evaluation contractor, has developed measures of verified energy savings that have resulted from the original installation of energy efficient equipment, the replacement of old equipment with more energy efficient equipment, or other actions as a result of programs undertaken

under this component of the public benefits program. For 2005-06, for example, the evaluator estimated that 242,253 participants used 198,228,057 fewer kilowatt hours of electric energy and 12,847,200 fewer therms of natural gas, resulting in annual savings of \$30,499,900 for heating and electricity billings due to public benefit fund investments. The evaluation consultant anticipates that these energy efficiency improvements to homes and businesses will likely have a lifespan of seven to 20 years, depending on the improvement. Consequently, the estimated savings are likely to continue for each year of the improvements' useful life. Table 8 summarizes these savings over the last five fiscal years.

Table 8: Estimated Energy Savings from the Energy Conservation and Efficiency and Renewable Resource Component of The Public Benefits Program (2001-02 through 2005-06)

Program	Number of Participants	Kwh Savings	Value of Kwh Saved	Therm Savings	Value of Therm Saved	Total Value
2001-02						
Business	1,180	30,501,000	\$1,732,500	1,663,900	\$1,310,800	\$3,043,300
Residential	58,650	25,467,400	2,297,200	1,009,800	938,800	3,236,000
Renewable Energy	<u>1</u>	<u>545</u>	<u>100</u>	<u>0</u>	<u>0</u>	<u>100</u>
Total	59,831	55,968,945	\$4,029,800	2,673,700	\$2,249,600	\$6,279,400
2002-03						
Business	6,421	18,819,000	\$6,506,900	6,175,800	\$3,523,000	\$10,029,900
Residential	147,448	87,322,900	7,876,500	1,826,400	1,698,000	9,574,500
Renewable Energy	<u>26</u>	<u>3,714,300</u>	<u>335,000</u>	<u>1,700</u>	<u>1,600</u>	<u>336,600</u>
Total	153,895	219,856,200	\$14,718,400	8,003,900	\$5,222,600	\$19,941,000
2003-04						
Business	12,145	139,345,186	\$9,819,600	12,679,554	\$12,541,500	\$22,361,100
Residential	213,847	89,974,794	9,456,400	1,856,899	2,152,100	11,608,500
Renewable Energy	<u>57</u>	<u>484,151</u>	<u>50,900</u>	<u>213,834</u>	<u>247,800</u>	<u>264,700</u>
Total	226,049	229,804,131	\$19,326,900	14,750,287	\$14,941,400	\$34,234,300
2004-05						
Business	11,284	124,511,649	\$8,779,900	7,294,858	\$7,251,400	\$16,031,300
Residential	208,894	82,237,365	8,643,100	1,718,951	1,992,300	10,635,400
Renewable Energy	<u>69</u>	<u>21,909,710</u>	<u>2,302,700</u>	<u>343,622</u>	<u>398,300</u>	<u>2,701,000</u>
Total	220,247	228,658,724	\$19,725,700	9,357,431	\$9,642,000	\$29,367,700
2005-06						
Business	13,117	111,617,300	\$8,095,300	9,674,031	\$9,624,100	\$17,719,400
Residential	229,043	73,991,451	7,776,500	1,602,851	1,857,700	9,634,200
Renewable Energy	<u>93</u>	<u>12,619,307</u>	<u>1,326,300</u>	<u>1,570,318</u>	<u>1,820,000</u>	<u>3,146,300</u>
Total	242,253	198,228,058	\$17,198,100	12,847,200	\$13,301,800	\$30,499,900

Reductions to Pollutants. The independent evaluation contractor has also sought to measure the cumulative air and water quality benefits that have resulted between July 1, 2001, and June 30, 2006, from the identified reduction in electric generation and natural gas consumption. The estimated reductions in carbon dioxide (CO₂), nitrogen oxides (NO_x), sulfur dioxide (SO₂), and mercury (Hg) for this five-year period are summarized in Appendix II.

Secondary Benefits. Finally, the contractor has attempted to quantify secondary benefits of the investments in business and residential public benefit programs during the five-year period covered from June 1, 2001, to June 30, 2006. The study attempted to quantify the value of factors such as improved health, reduced repair and maintenance, reduced waste production at businesses, increased productivity, reductions in mold in the home, increased property values, and reductions in water and sewer bills (from more efficient appliances). These additional secondary benefits over this five-year period have been estimated at \$57,628,000 for business programs and \$9,840,500 for residential programs.

Transfers from the Public Benefits Fund. The operation of the energy conservation and efficiency and renewable resource component of the state-run public benefits program has been impacted in recent year by budgetary decisions that have directed the transfer of portions of the fund dedicated to such activities to the state's general fund. The amounts transferred and the purposes of the transfers are listed below:

2003 Wisconsin Act 1. Under 2003 Wisconsin Act 1, \$8,365,600 in 2002-03 was transferred to the state's general fund from public benefits fund that supported energy conservation and efficiency and renewable resource programs.

2003 Wisconsin Act 33. Under 2003 Wisconsin Act 33, the following amounts that supported energy conservation and efficiency and renewable resource programs were transferred, as follows: (a)

\$17,600,000 in 2003-04 and \$20,000,000 in 2004-05 to fund county and municipal aid payments; (b) \$236,800 in 2004-05 to fund earned income tax credits; and (c) \$9,232,000 in 2004-05 for maintenance of effort on Wisconsin Works (W-2). The W2 funding was established as an ongoing annual appropriation.

2005 Wisconsin Act 25. Under 2005 Wisconsin Act 25, the following amounts that supported energy conservation and efficiency and renewable resource programs were transferred, as follows: (a) \$18,185,300 in 2005-06 and \$16,949,400 in 2006-07 to the general fund; and (b) \$954,500 in 2005-06 and 2006-07 to the Department of Health and Family Services to support income maintenance contracts. This is in addition to \$9,232,000 of public benefits funding that is used on an ongoing basis for W-2 maintenance of effort.

The directed reallocations have required DOA to adjust the amounts that otherwise would have been available to a many of the energy conservation-related programs funded from this component of the public benefits fund. Of the \$28,371,800 in 2005-06 that was transferred from public benefits to the general fund under 2005 Wisconsin Act 25, the following amounts were reduced from amounts that would have otherwise been applied to the programs denoted: (a) \$9,793,400 for business programs; (b) \$7,070,200 for residential programs; (c) \$6,317,100 for evaluation, compliance, and other administrative functions; (d) \$4,068,000 of unprogrammed amounts; (e) \$636,800 for environmental research and development programs; and (f) \$486,300 for renewable resource programs.

Of the \$27,135,900 in 2006-07 that was transferred under Act 25, reductions were applied to the following programs: (a) \$9,306,900 was deleted from business programs; (b) \$8,636,400 was deleted from residential programs; (c) \$6,026,500 was deleted from evaluation, compliance, and other administrative functions; (d) \$2,573,700 was deleted from unprogrammed funding; (e) \$632,000 was deleted from environmental research and devel-

opment programs; and (f) \$39,700 was added to the renewable resource programs.

Transfers from the public benefits fund has, to date, always been made from the energy conservation and efficiency and renewable resource component of the fund. Under 2005 Wisconsin Act 141 [described in the last section of this paper], state administration of the energy conservation and efficiency and renewable resource programs and the collection of funds for those purposes is eliminated. Current statutory provisions allow the Department of Workforce Development to use \$9,232,000 annually for W-2 maintenance of effort funds. After July 1, 2007, the only source of revenues for the public benefits fund will be revenues generated for low-income assistance funding.

Table 9 summarizes the revenues and expenditures to the state-funded public benefits fund for 2003-04 through 2005-06. The table shows revenues and expenditures for both the energy conservation and efficiency and renewable resource, and the low-income assistance components of the public benefits fund. Revenues include amounts received from utility transition payments, new fee collections, investment revenues with the State of Wisconsin Investment Board, refunds of prior year expenditures, and voluntary contributions. Expenditures are by major program component. The table identifies the amounts that were transferred to the general fund in 2003-04 through 2005-06. The program elements of the energy conservation-related component of the public benefits program have already been adjusted in those fiscal years to reflect these transfers.

Table 9: Revenues and Expenditures of the Public Benefits Programs (2003-04 through 2005-06)

Low-Income Assistance Programs			
	2003-04	2004-05	2005-06
Revenues			
Beginning Balance	\$262,800	\$3,132,500	\$10,019,800
Transitional Funds	21,328,400	21,328,400	21,328,400
New Fees	24,548,700	35,088,500	41,624,400
Municipals and Cooperatives	776,200	795,800	805,000
Investment Pool	200	0	0
Refund of Expenses	0	0	13,800
Voluntary Contributions	<u>100</u>	<u><100</u>	<u><100</u>
Total Revenues	\$46,916,400	\$60,345,200	\$73,791,400
Expenditures			
Weatherization	\$30,850,500	\$33,601,300	\$36,076,500
Weatherization Conservation	0	0	10,000,000
Heating Assistance	8,272,600	11,373,100	20,598,800
Crisis Program	3,476,100	4,419,300	3,406,600
County and State Administration	<u>1,184,700</u>	<u>931,700</u>	<u>1,962,900</u>
Total Expenses	\$43,783,900	\$50,325,400	\$72,044,800
Year-End Balance	\$3,132,500	\$10,019,800	\$1,746,600
Energy Conservation-Related Programs			
	2003-04	2004-05	2005-06
Revenues			
Beginning Balance	\$20,973,100	\$24,232,200	\$19,372,000
Transitional Funds	45,826,600	45,826,600	45,826,600
New Fees	16,278,500	16,232,100	16,098,200
Municipals and Cooperatives	124,200	119,800	115,400
Investment Pool	282,200	649,300	1,115,400
Refund of Expenses	0	35,400	0
Voluntary Contributions	<u>2,000</u>	<u>0</u>	<u>0</u>
Total Revenues	\$83,486,600	\$87,095,400	\$82,527,600
Expenditures			
Residential	\$19,573,600	\$18,017,200	\$17,859,900
Business	14,770,500	15,109,500	16,214,300
Administration*	4,102,200	1,913,900	2,148,400
Renewable Resources	2,265,400	2,353,100	2,459,100
Environmental Research and Development	<u>942,700</u>	<u>1,097,700</u>	<u>1,091,800</u>
Subtotal of Expenses	\$41,654,400	\$38,491,400	\$39,773,500
Required Transfers	\$17,600,000	\$29,232,000	\$28,371,800
Total Expenses	\$59,254,400	\$67,723,400	\$68,145,300
Year-End Balance	\$24,232,200	\$19,372,000	\$14,382,300

*Includes compliance, evaluation, and information technology.

Low-Income Assistance Programs

Under s. 16.957(1) of the statutes, the low-income components of the public benefits program are defined as those activities that provide assistance to low-income households for weatherization and other energy conservation services, including aid in payment of energy bills or early identification and prevention of an energy crisis. A low-income household is defined as any individual or group of individuals living together as a single economic unit in which residential electricity is customarily purchased in common and whose household income is less than 150% of the federal poverty level. [See Appendix I for the 2004 federal fiscal year poverty level guidelines.] According to the 2005 U.S. Census, 18.9% of Wisconsin residents were at or below 150% of the federal poverty level.

The Department has specified by rule [ADM 45] that any person or household that is eligible to receive fuel payment assistance, early identification crisis assistance, weatherization or conservation services, or Low-Income Home Energy Assistance is automatically eligible for the low-income assistance provided through the public benefits program

Individuals who are currently not eligible for state low-income assistance from the state public benefits fund include: (a) individuals who receive low-income assistance from a municipal electric utility or retail electric cooperative that operates its own commitment to community program; and (b) a person who is imprisoned or placed in a secure correctional facility or secured child-caring institution.

DOA has stated that its long-term goal for providing low-income assistance is to improve a household's ability to make full and timely payments of energy bills over an extended period of time without resorting to unsustainable methods of payment.

The Department, in consultation with its Council on Utility Public Benefits, must annually announce new or continued public benefits low-income assistance programs. The Department must publicize information on application procedures and program eligibility criteria. Currently, low-income assistance for public benefits-funded programs is provided under the same application for a federal award for the Low-Income Home Energy Assistance Program. DOA must approve or deny any application for assistance within 45 days of receipt of the completed form.

Low-Income Home Energy Assistance Program. The Low-Income Home Energy Assistance program (LIHEAP) is established under s. 16.27 of the statutes. This program provides cash benefits and services in the form of heating assistance, crisis assistance and emergency furnace repair and replacement to low-income households. For households applying for any of these benefits, a household must have an income of not more than 150% of the federal poverty level during any of the following time periods: the three months immediately prior to applying for benefits; the month preceding the application; or the current month.

Households in which all members are recipients of either temporary assistance to needy families (TANF), supplemental security income (SSI) or food stamps are categorically eligible for heating assistance, crisis assistance and emergency furnace repair and replacement. State law does not currently provide that Wisconsin Works (W-2) recipients are categorically eligible for LIHEAP benefits. However, most W-2 recipients will qualify for benefits because of their having incomes of not more than 150% of the federal poverty level.

Funding for LIHEAP comes primarily from federal block grant allocations to the state. During the 2000-01 state fiscal year, the Department of Administration also began to receive additional funds under the state public benefits program. A total of \$34.0 million 2005-06 was allocated from this source.

Table 10 shows federal funding expended for LIHEAP, including federal supplements, and TANF matching funds by state fiscal year since 2000-01. Table 11 shows the public benefit funding expended for LIHEAP for customer assistance (excluding administrative expenditures and net amounts transferred to the weatherization programs) by state fiscal year.

Table 10: LIHEAP Federal Expenditures

Fiscal Year	Amount*
2000-01	\$68,064,200
2001-02	50,817,600
2002-03	68,861,000
2003-04	54,153,400
2004-05	64,600,200
2005-06	73,618,500

*Amounts are net of transfers to the weatherization program.

Table 11: LIHEAP Public Benefit Expenditures

Fiscal Year	Amount
2000-01	\$11,000,000
2001-02	15,170,900
2002-03	13,200,800
2003-04	11,748,700
2004-05	15,792,400
2005-06	34,005,400

In some years, the state has received federal TANF matching funds, federal supplements and state oil overcharge restitution funds for the LIHEAP program. By state statute, 15% of LIHEAP's federal funding is transferred to the state weatherization program each federal fiscal year. However, starting in 1993, a portion of that 15% transfer amount has been retained for the LIHEAP emergency furnace repair and replacement program.

Under 2005 Wisconsin Act 124, an additional \$5,147,300 of one-time funding from the petroleum inspection fund was provided for low-income

assistance for households between 150% and 175% of the federal poverty level. A total of 13,726 households were provided with grants of \$375 in 2005-06.

Heating Assistance Program. The heating assistance component of LIHEAP provides eligible low-income households with a cash benefit to assist the household in meeting its energy costs. The heating benefit is generally provided once a year as a benefit payment for each heating season (October 1 through May 15). Heating assistance benefit payments are generally issued as a direct payment to the utility or as a two-party check to the applicant and the applicant's fuel provider. The actual amount of the heating assistance benefit depends on the household's size, income level and actual heating costs. The benefit amount is determined by a formula, which yields proportionately higher payments for households with the lowest income levels and the highest annual heating costs.

Table 12 provides caseload data and the average amount of benefits paid to persons receiving heating assistance since FFY 1997.

Table 12: Heating Assistance Program Caseload

FFY	Caseload	Average Benefit
1997	102,855	\$291
1998	92,270	276
1999	87,057	244
2000	88,105	355
2001	115,881	470
2002	117,326	307
2003	131,707	387
2004	134,840	269
2005	137,622	314
2006*	152,062	439

*An additional \$5.1 million, not shown in the table, was provided to 13,726 households between 150% and 175% of the poverty level in 2005-06, under 2005 Wisconsin Act 124.

Crisis Assistance Program. The crisis assistance component of LIHEAP provides limited cash

assistance and services to households that experience a heating emergency or are at risk of experiencing a heating emergency (such as denial of future fuel deliveries). The program provides both emergency and proactive services. Program administrators work with county social service agencies to provide these services to eligible households.

Prior to 2005 Wisconsin Act 25, the statutes specified that no more than \$3.2 million annually, of the total available LIHEAP funding, could be allocated for crisis assistance payments, unless an increased amount was approved by the Joint Committee on Finance. Act 25 eliminated that cap, which allows DOA to establish the amounts of LIHEAP funding that may be used for crisis assistance.

Crisis assistance is available only if the agency administering the benefits determines that there is an immediate threat to the health or safety of an eligible household due to the actual or imminent loss of essential home heating. The amount of crisis assistance that a household receives is based on the minimum assistance required to remove the immediate threat to health and safety. Some form of crisis assistance must be provided within 48 hours of application or within 18 hours if the situation is life-threatening.

Emergency crisis services include providing heating fuel, a warm place to stay for a few days, or other actions that will assist a household experiencing the heating emergency. In-kind benefits such as blankets and space heaters may also be provided.

Another component of crisis assistance intervention is the provision of on-going services for eligible households designed to minimize the risk of heating emergencies during the winter months. These types of activities include providing eligible households with training and information on how to reduce fuel costs and counseling on establishing budgets and money management. In addition, LIHEAP may assist persons in setting up

a co-payment plan that would provide payments to fuel suppliers.

Emergency Furnace Repair and Replacement Program. In addition, LIHEAP provides emergency furnace repair or replacement services. Under this program, services are provided to households experiencing a heating crisis. Services provided consist of having a heating contractor inspect the household's furnace to determine if repair or replacement of the heating unit is a reasonable solution to the emergency. The furnace must be replaced rather than repaired if: (a) the furnace is less than 15 years old, not electric, and the repair costs exceed \$500; (b) the furnace is more than 15 years old, not electric, and repair costs will exceed \$250; or (c) the furnace is electric and repair costs will exceed \$250. Finally, if furnace replacement costs are expected to exceed \$3,500, approval by DOA is required to replace the furnace. In addition, DOA must also approve the replacement of any wood-burning furnace that costs in excess of \$2,000. The number of households receiving services and the average emergency furnace service benefit provided since federal fiscal year (FFY) 1997 is summarized in Table 13.

Table 13: Emergency Furnace Repair and Replacement

FFY	Caseload	Average Benefit
1997	1,248	\$1,323
1998	1,205	1,303
1999	1,266	1,362
2000	1,397	1,295
2001	1,905	1,291
2002	1,762	1,322
2003	2,083	1,314
2004	1,912	1,302
2005	1,992	1,360
2006	1,875	1,256

Low-Income Weatherization Program. The Low-Income Weatherization Program is established under s. 16.26 of the statutes. The program provides weatherization services to help reduce high-energy costs in homes occupied by low-

Table 14: Low-Income Weatherization Program – Expenditures by Funding Source

Fiscal Year	FED (DOE)	FED (LIHEAP)	State (Oil Overcharge)	Utility Public Benefits	Total
2000-01	\$4,296,800	\$6,333,300	\$43,100	\$6,046,500	\$16,719,600
2001-02	4,997,000	11,496,200	35,300	12,824,800	29,353,300
2002-03	8,217,900	6,206,300	312,700	24,657,200	39,394,000
2003-04	8,364,600	7,949,000	82,400	30,850,500	47,246,600
2004-05	8,529,600	6,520,100	0	33,601,300	46,650,900
2005-06	10,537,200	11,807,700	0	36,076,500	58,421,400

income families.

The program has been funded from four sources: (a) funds the state receives from the federal Department of Energy (DOE) under the weatherization assistance for low-income persons program; (b) an allocation of 15% of the funds received by the state under the LIHEAP block grant; (c) allocations that have occasionally been made from oil overcharge restitution funds; and (d) funds from the state public benefits program. For 2005-06, expenditures totaled \$58,421,400 (\$10,537,200 from DOE weatherization assistance; \$11,807,700 from LIHEAP funds; and \$36,076,500 from public benefits). Table 14 indicates the amounts expended under the program, by funding source, since 2000-01. The amounts listed include the state costs related to administration of the program.

The Division of Energy administers the program through contracts with community action agencies and local governments. These agencies seek out eligible households, verify eligibility, determine the types of work on each dwelling that will provide the greatest energy savings for the cost and hire and supervise employees to install weatherization materials.

Typical weatherization services provided under the program include attic, sidewall and floor insulation, repair or replacement of furnaces, water heater insulation, and water heater, refrigerator and window replacements. Under the program, services are offered to families or individuals with

household incomes of up to 150% of the federal poverty level. Both homeowners and renters are eligible for the weatherization services at no cost. However, a 15% contribution is required in rental property where the property owner pays heating costs. Local program operators give priority under the program to homes occupied by elderly and the disabled and houses with high-energy consumption.

Table 15 lists the number of dwelling units weatherized and shows the average costs of such services under this program during each of the past 10 program years.

Table 15: Low-Income Weatherization Program

Program Year	Units Weatherized	Avg. Cost Per Unit
1997	4,529	\$2,700
1998	3,860	2,800
1999	6,350	2,800
2000	3,153	3,824
2001*	4,923	5,801
2002	4,928	5,738
2003	6,726	5,687
2004	8,048	5,366
2005	7,992	5,630
2006	8,831	6,220

* In 2001 the weatherization program was changed to run during the state fiscal year (July 1, through June 30).

2005 Wisconsin Act 141

Electric Utilities. Under 2005 Wisconsin Act 141, the ways in which public benefits funding will be collected were modified and administration of energy efficiency and renewable resource programs is transferred from DOA to a vendor selected collectively by the energy utilities.

Effective July 1, 2007, DOA will no longer be responsible for the administration of the energy efficiency and renewable resource public benefits programs. Instead, energy utilities will be required to establish and fund statewide energy efficiency and renewable resource programs and contract, on a competitive basis, with one or more persons for the administration of these funds. The PSC will be required to approve this contract. Each energy utility will be required to spend 1.2% of their annual operating revenues on energy efficiency and renewable resource programs.

Act 141 specifies that, as of July 1, 2007, the only amounts remitted to the state will come from a single fee on utility customer bills, which will solely fund low-income assistance programs. The amounts collected for low-income assistance will be based on the same low-income need target which is annually formulated by the Department.

Electric utilities will then be required to charge customers a fee in the amount established in rules by DOA in consultation with the Council on Utility Public Benefits. The total amount collected will have to meet the low-income need target when added to the following: (a) the estimated low-income assistance fees collected by municipal utilities and retail electric cooperatives; (b) all low-income heating assistance received from the federal government; and (c) the total amount expended by utilities for low-income assistance.

The total fees collected could vary by class of customer, but could not vary within each class of customers. The low-income assistance fees may not exceed the lesser of 3% or \$750 of the total monthly bill for public utility customers. Electric utilities will have to show the low-income assistance fee as a separate line on a customers bill. The utility will have to provide an annual statement that identifies the annual charges for low-income assistance and describing the programs operated from the fees.

Municipal Utilities and Retail Electric Cooperatives. Energy efficiency and renewable resource programs and low-income assistance

programs that are operated by municipal utilities and retail electric cooperatives are referred to as "commitment to community programs."

For municipal utilities and retail electric cooperatives the programs funding levels do not change [\$16 annually on average, with \$8 used for energy efficiency and renewable resource programs and \$8 for low-income assistance programs]. Municipal utilities and retail electric cooperatives could also vary assessments based on customer class.

These utilities will have the option of maintaining their own low-income assistance program for their customers, creating a jointly operated program with other municipal utilities and retail electric cooperatives, or opting into the state program by remitting the collected fees to DOA. These utilities will have to determine whether to opt into the state program by October 1, 2007, and every third year after that date. In making this determination each of these utilities must declare whether they will operate their own program or join the state program for the each of the following three years. In any year in which a municipal utility or retail electric cooperative agrees to be part of the state's low-income assistance program the utility will have to pay the amounts collected for low-income assistance to DOA.

Municipal utilities and retail electric cooperatives will have the same funding options for energy efficiency and renewable resource programs, they may either operate their own programs, operate joint programs with other municipal utilities and retail electric cooperatives, or provide monies collected to the vendor chosen by energy utilities to operate energy efficiency and renewable resource programs. The same three-year commitment dates that will apply to the low-income apply under these programs. If they operate their own programs, they are required to use funding to help achieve environmentally sound and adequate energy supplies at reasonable costs.

The amounts collected by municipal utilities and retail electric cooperatives for both the low income assistance and the energy efficiency and renewable resource programs cannot exceed the lesser of 3% or \$750 per monthly billing for an individual customer. If these utilities operate their own programs then they must have an independent audit of those programs on an annual

basis.

As under previous law, individuals that receive low-income assistance from their municipal utility or retail electric cooperative are not eligible for state-operated low-income assistance that is funded with public benefits.

APPENDIX I

Federal Poverty Guidelines - 150% of Poverty Level

(FFY 2006)

Family Size	Poverty Level
1	\$14,700
2	19,800
3	24,900
4	30,000
5	35,100
6	40,200
7	45,300
8*	50,400

*Add \$5,100 for each person over eight.

Federal Poverty Guidelines - 200% of Poverty Level

(FFY 2006)

Family Size	Poverty Level
1	\$19,600
2	26,400
3	33,200
4	40,000
5	46,800
6	53,600
7	60,400
8**	67,200

**Add \$6,800 for each person over eight.

APPENDIX II

Emissions Savings July 1, 2001 - June 30, 2006

	Verified Gross		Emissions Reductions (Pound)*			
	MWh	Therms	Nox	So ₂ **	CO ₂	Mercury
Business						
Agriculture	40,150	590,846	234,762	489,863	95,889,618	1.963
Commercial	151,164	5,696,756	918,605	1,844,548	401,677,985	7.392
Industrial	274,248	23,282,524	1,796,040	3,347,224	880,325,676	13.411
Schools and Government	<u>69,110</u>	<u>8,075,116</u>	<u>474,678</u>	<u>843,625</u>	<u>247,690,979</u>	<u>3.379</u>
Subtotal	534,672	37,645,242	3,424,084	6,525,260	1,625,584,230	26.145
Residential						
Apartment and Condo Efficiency	50,448	3,612,933	323,682	615,681	154,092,714	2.467
Efficient Heating and Cooling	10,840	271,650	64,502	132,259	27,200,872	0.530
ENERGY STAR Reward	260,494	900,179	1,493,819	3,178,085	587,794,712	12.738
Existing Homes	31,167	2,126,030	198,912	380,365	93,957,652	1.524
Targeted Home Performance	1,725	477,461	14,605	21,089	9,411,792	0.084
New Construction	<u>3,528</u>	<u>719,297</u>	<u>27,618</u>	<u>43,759</u>	<u>16,362,056</u>	<u>0.175</u>
Subtotal	358,257	8,107,549	2,123,138	4,371,217	888,819,797	17.519
Renewable Energy	<u>38,732</u>	<u>2,129,487</u>	<u>242,068</u>	<u>472,660</u>	<u>110,762,478</u>	<u>1.894</u>
Grand Total	931,661	47,882,278	5,789,291	11,369,137	2,625,166,506	45.558

Source: Division of Energy submissions to the Department of Natural Resources' Voluntary Emissions Reduction Registry.

*Emission reductions are calculated using the marginal cost emission rates.

**Wisconsin investor-owned utilities are included in the federal SO₂ regulatory structure of the Clean Air Act (acid rain provisions). In this cap-and-trade system SO₂ emissions cannot be considered reduced or avoided unless EPA lowers the SO₂ cap.