

**Utility Public Benefits and Low-
Income Heating Assistance Programs**

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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.

In the mid-1990's, 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 should the utility industry be moved toward a deregulated market.

By the mid-2000's, fewer state governments were considering utility deregulation. In the absence of deregulation in Wisconsin, questions were raised regarding state versus utility administration of energy conservation and efficiency and renewable resource programs. This led to a dividing of the traditional "public benefits" programs, such that the state would continue to administer low-income assistance funds and the utilities would once again

administer energy conservation and efficiency and renewable resource programs.

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

The Division continues to manage separate federal grant funds for low-income energy programs. The Division 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 paper will then describe the sources of funding for the low-income heating assistance program that continues to be supported from the public benefits fund, and the types of programs that are operated with these revenues. Finally, the paper addresses transfers from the public benefits fund to the general fund.

For further information on the energy conservation and efficiency and renewable resource programs see the Fiscal Bureau's information paper entitled, "Taxation and Regulation of Public Utilities."

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.

Throughout the 1990's state legislatures considered proposals to partially or fully deregulate electric production.

In a regulated electric market, states generally grant electric utilities exclusive electric supply over a particular geographic area. The utility must agree to provide electric service to all customers within a region of the state (usually through a regulatory commission). The regulating agency specifies when fees may be changed and when new facilities may be built.

In a deregulated market the building of electric production facilities and provision of electricity is market driven. Public utilities and/or wholesale electric producers compete for customers and add electricity to the grid based on their customer demand.

In considering whether Wisconsin should move toward a deregulated market, the Legislature had to consider whether utilities that were currently subject to regulation could compete with new unregulated entities at the wholesale level and possibly at the retail level. In order for the new unregulated energy producers to lower their costs and compete for customers, it was reasonable to expect that most would not provide, on their own initiative, the same types of public benefits [demand side management programs] that the traditional regulated utilities were required to provide. Under such circumstances, it was 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 stated goal was "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 stated goal was "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 stated goal was "to ensure that some of the environmental impacts of Wisconsin electric use continue to be addressed, directly or indirectly, by Wisconsin electricity users."

The PSC concluded that there should be 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.

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.

Funding for these DOA administered public benefits programs were provided by the utilities. Act 9 specified that PSC must identify utility expenditures for demand side management programs as of 1998. The utilities were then required to remit these funds to DOA. These funds are often referred to as the "transferred fees." The Commission determined that the utilities must transfer \$21,329,100 annually for low-income programs and \$67,155,100 annually for energy efficiency and renewable resource programs.

Additional funding was to be provided through utility customer fees that were imbedded in the fixed charges for electricity. These funds are often referred to as the "new fees," because they were in addition to customer-supported public benefit programs that were operated prior to "Reliability 2000." The new fee amount totaled \$24,598,600 in 2000-01 [the first year revenues were provided] and increased to \$69,696,600 by 2006-07 [the final year before 2005 Act 141 changes (discussed in the following sections)].

The Act 9 provisions created two statewide public benefits programs. One program awarded 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 provided 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 fees paid by utility customers supported both the low-income assistance and the energy efficiency and renewable resource state-run programs.

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

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.

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, became effective on July 1, 2007. These changes are described in the following section.

2005 Wisconsin Act 141

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

Effective July 1, 2007, DOA was no longer responsible for the administration of the energy efficiency and renewable resource public benefits programs. Instead, energy utilities were 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 was required to approve this contract. Each energy utility must spend 1.2% of their annual operating revenues on energy efficiency and renewable resource programs.

Act 141 specified that the only amount remitted to the state comes from utility fees for low-income assistance programs.

Act 141 did not change the way in which revenues were collected for low-income assistance. The amount collected for low-income assistance is based on the low-income need target which is annually formulated by the Department. This low-income need target is calculated based on the estimated number of low-income families multiplied by the estimated need per eligible household.

Electric utilities are 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 must 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; (c) all low-

income heating assistance received from "transferred" fees the state receives from public utilities; and (d) the total amount expended directly by utilities for low-income assistance.

The transferred fees remain \$21,329,100 annually, based on the amount of revenues utilities were spending on utility-administered low-income heating assistance programs as of 1998. This amount is imbedded on customer bills while the remaining "new" fee assessments are shown on customer bills as "state low-income assistance fee."

The new fees collected may vary by class of customer, but cannot vary within each class of customers. DOA rules must specify that 70% of the fees may be charged to residential customers and 30% to nonresidential customers. The low-income assistance fees may not exceed the lesser of 3% of the total monthly bill or \$750 for public utility customers.

Electric utilities must show the low-income assistance fee as a separate line on a customer's bill. The utility must 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."

Municipal utilities and retail electric cooperatives are required to collect the same amount of funding under Act 141 as they were previously [\$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 may also vary assessments based on customer class.

These utilities 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 had to determine whether to opt into the state program by October 1, 2007. Every third year after that date, these utilities may choose to opt in or out of the state-wide program. In making this determination each of these utilities must declare whether they will operate their own program (alone or with other utilities) 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.

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.

Municipal utilities and retail electric cooperatives have the same funding options for energy efficiency and renewable resource programs; they may 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 apply to the low-income programs 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 in-

dividual customer. If these utilities operate their own programs then they must have an independent audit of those programs on an annual basis.

Funding Public Benefits

The state currently operates a segregated utility public benefits fund to support the costs of the low-income assistance programs that are not supported by federal funds. Revenues to the public benefits fund are primarily from fees collected from customers by all nonmunicipal electric utilities.

Prior to 2005 Wisconsin Act 141, public utilities were required to transfer amounts that were equivalent to the amounts those utilities were spending on utility sponsored public benefits programs as of 1998. In addition, utilities were required to establish a new customer fee sufficient to generate the following: (a) an additional \$20 million annually for energy conservation and efficiency and renewable resource programs; and (b) an amount determined by DOA to meet the low-income assistance need target.

Act 141, instead specified that the utilities will continue to collect the transfer amounts and the new fee amounts only for low-income assistance. Utilities must provide an annual statement to their customers that identifies the annual charges and describes the low-income assistance programs for which their fees are used.

By rule [ADM 43.04], DOA calculates the low-income assistance need 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) amounts charged by municipal utilities and retail electric cooperatives for low-income assistance; (b) all low-income heating assistance received from the federal government; and (c) amounts paid to the public benefits fund from transitional ("transferred"

amounts) payments by public utilities for low-income heating assistance.

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 new fees on each customer's bill as a "state low-income assistance fee." 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 [ADM 43.08].

Public benefits fees have been collected through customer billings since October 1, 2000. For residential customers of public utilities in 2008-09, the new fee may not exceed the lesser of 3% of the customer's bill or \$3.15 monthly. For commercial and industrial customers in 2008-09, 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 monthly (the statutory maximum for such customers) in any public utility operational area. Table 1 shows the transferred amounts, the new fees and the total amounts paid by customers of each utility in 2007-08.

The fees collected by the public utilities and

Table 1: Low-Income Heating Assistance Payments by Utility -- 2007-08

Utility Name	Transferred Amounts	New Fees	Total
WE Energies (Wisconsin Electric)	\$14,864,300	\$30,887,700	\$45,752,000
Alliant Energy (Wisconsin Power & Light)	1,639,900	13,475,600	15,115,500
Integrity's (WI Public Service Corporation)	3,036,900	12,799,800	15,836,700
Xcel Energy (Northern States Power)	759,800	7,917,500	8,677,300
Madison Gas & Electric	645,600	4,202,600	4,848,200
Superior Water Light & Power	382,500	347,100	729,600
Northwestern Wisconsin Electric	0	341,300	341,300
Dahlberg Light & Power	0	199,900	199,900
North Central Power	0	92,300	92,300
Pioneer Power & Light	0	37,800	37,800
Westfield Electric	0	20,700	20,700
Consolidated Water Power	<u>0</u>	<u>19,300</u>	<u>19,300</u>
Total	\$21,329,000	\$70,341,600*	\$91,670,600

* The new fees payments includes \$68,615,100 for low-income assistance and \$1,726,500 in 2007-08 for energy efficiency and renewable resource programs that were operated by DOA through June 30, 2008.

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.]

Municipal Utilities and Electric Cooperatives Fees (Commitment to Community Programs). Municipal utilities and retail electric cooperatives have the option of implementing the low-income heating assistance program on their own or jointly with other such utilities. However, any customer or member receiving benefits from a municipal utility or electric cooperative 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 a low-income heating assistance program, but instead to participate in the DOA-operated program.

Municipal utilities and retail electric cooperatives must collect fees averaging \$8 annually per meter from its customers to fund the low-income heating assistance 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 1.5% of the total of every other charge on the customer's bill, or \$375 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 the low-income heating assistance 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 a low-income heating assistance 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 \$8.2 million was collected in 2007-08 by municipal utilities and retail electric cooperatives for their commitment to community programs (low-income assistance and energy efficiency funds). Of these amounts, \$888,800 was remitted to DOA in 2007-08 by municipal electric utilities or retail electric cooperatives that participate in the DOA low-income heating assistance programs.

According to DOA, in 2007-08, nine of the state's 24 retail electric cooperatives and 26 of the state's 82 municipal electric utilities had elected to participate in the DOA-operated low-income public benefits program.

Additional Funding. In addition to the amounts collected from utility customer fees, 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 to the low-income assistance program, along with their regular bill payments. 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 2007-08, there were no voluntary contributions.

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 \$3,356,700. In 2007-08, investment earnings were \$413,900.

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 1999 Wisconsin 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 fees that must be assessed each year from utility customers for low-income heating assistance, the federal funds are not actually considered to be a part of the public benefits fund, but both federal funds and public benefits funds are used to support low-income home energy assistance programs through DOA.

Table 2 summarizes the revenues and expenditures from the public benefits fund for low-income heating assistance for 2006-07 and 2007-08. The table shows revenues and expenditures for the low-income assistance components of the public benefits fund. Revenues include amounts received from utility collections, investment revenues with SWIB, refunds of prior year expenditures, and voluntary contributions. Expenditures are by major program component.

Low-Income Assistance Programs

Under s. 16.957(1) of the statutes, the low-income heating assistance program is 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

Table 2: State Revenues and Expenditures of the Low-Income Assistance (2006-07 and 2007-08)

Low-Income Assistance Programs		
	2006-07	2007-08
Revenues		
Beginning Balance	\$1,746,600	\$13,195,400
Transitional Funds	21,238,400	21,329,000
"New" Fees (1999 Act 9)	54,109,600	N.A.
"New" Fees (2005 Act 141)	N.A.	68,615,100
Municipals and Cooperatives	832,700	850,500
Investment Pool	203,400	413,900
Refund of Expenses	0	200
Voluntary Contributions	<u>0</u>	<u>0</u>
Total Revenues	\$78,220,700	\$104,404,100
Expenditures		
Weatherization	\$40,238,100	\$46,519,700
Weatherization State Administration	134,500	864,300
Heating Assistance Aids	16,132,000	33,442,800
Heating Assistance Outreach	1,349,200	1,340,500
Crisis Program	3,538,700	4,337,800
Furnace Repair and Replacement	2,241,600	2,791,000
State Administration	90,000	794,400
County Administration	1,301,300	1,200,600
Wisconsin Works (DWD)	<u>0</u>	<u>9,232,000</u>
Total Expenses	\$65,025,400	\$100,523,100
Year-End Balance	\$13,195,300	\$3,881,000

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 the appendix for the 2008 federal fiscal year poverty level guidelines.]

According to the 2007 U.S. Census Bureau's Annual Social and Economic Supplement, 12.3% of Wisconsin families and 18.1% of individuals were at or below 150% of the federal poverty level in 2006.

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.

The Department, in consultation with its Council on Utility Public Benefits, must annually announce new or continued 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 for 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.

Traditionally, funding for LIHEAP has come 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. As shown in Table 3, a total of \$41.9 million in 2007-08 was expended from the public benefits program for low-income heating assistance and crisis assistance. An additional \$46.5 million was expended on low-income weatherization, \$9.2 million was transferred to Wisconsin Works (W-2), and \$2.9 million was expended on state and local administration in 2007-08.

Table 3: 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
2006-07	23,261,500
2007-08	41,912,100

Table 4 shows federal funding expended for LIHEAP, including federal supplements, and TANF matching funds by state fiscal year since 2000-01.

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

Table 4: 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
2006-07	72,762,800
2007-08	90,653,500

*Amounts are net of transfers to the weatherization program.

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 5 provides caseload data and the average amount of benefits paid to persons receiving heating assistance since federal fiscal year (FFY) 2004.

Table 5: Heating Assistance Program Caseload

FFY	Caseload	Average Benefit
2004	134,840	\$269
2005	137,622	314
2006*	152,062	439
2007	145,843	260
2008	155,140	437

*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. Table 6 provides caseload data and the average amount of benefits paid to persons receiving crisis assistance since FFY 2004.

Table 6: Crisis Assistance Program Caseload

FFY	Caseload	Average Benefit
2004	33,167	\$318
2005	44,990	337
2006	48,611	364
2007	48,200	367
2008	27,837	402

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) 2004 is summarized in Table 7.

Table 7: Emergency Furnace Repair and Replacement

FFY	Caseload	Average Benefit
2004	1,912	\$1,302
2005	1,992	1,360
2006	1,875	1,256
2007	2,033	1,343
2008	2,290	1,428

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-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 2007-08, expenditures totaled \$67,084,500 (\$8,129,100 from DOE weatherization assistance; \$11,571,400 from LIHEAP funds; and \$47,384,000 from public benefits). Table 8 indicates the amounts expended under the program, including administrative expenses, by funding source, since 2000-01.

The Division of Energy Services administers the program through contracts with community action

Table 8: 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
2006-07	9,361,200	15,932,600	0	40,372,600	65,666,400
2007-08	8,129,100	11,571,400	0	47,384,000	67,084,500

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 9 lists the number of dwelling units

Table 9: Low-Income Weatherization Program

Fiscal Year	Units Weatherized	Avg. Cost Per Unit
2000-01	4,923	\$5,801
2001-02	4,928	5,738
2002-03	6,726	5,687
2003-04	8,048	5,366
2004-05	7,992	5,630
2005-06	8,831	6,220
2006-07	9,223	6,661
2007-08	9,776	6,562

weatherized and shows the average costs of such services under this program since 2000-01.

Transfers from the Public Benefits Fund

The operation of public benefits funded programs, particularly 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.

2007 Wisconsin Act 20. Under 2007 Wisconsin Act 20, \$9,232,000 annually was provided from the public benefits fund for W-2 maintenance of effort under the newly created Department of Children and Families.

Before 2005 Wisconsin Act 141 removed energy conservation and efficiency and renewable

resource programs from public benefit fund collections, transfers from the public benefits fund was always made from that component of the fund. Under Act 141, state administration of the energy conservation and efficiency and renewable resource programs and the collection of funds for those purposes were eliminated. Current statutory provisions allow the Department of Children and Families 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 is for low-income assistance funding. Therefore, W-2 funding from the public benefits fund is now monies transferred from low-income heating assistance.

The Department indicates that funds that would otherwise be used for low-income weatherization were reduced to provide W-2 funding.

APPENDIX

Federal Poverty Guidelines - 150% of Poverty Level

(FFY 2008)

Family Size	Poverty Level
1	\$15,600
2	21,000
3	26,400
4	31,800
5	37,200
6	42,600
7	48,000
8*	53,400

*Add \$5,400 for each person over eight.