

1995-96 SESSION  
COMMITTEE HEARING  
RECORDS

Committee Name:

Joint Committee on  
Finance (JC-Fi)

Sample:

Record of Comm. Proceedings ... RCP

- 05hrAC-EdR\_RCP\_pt01a
- 05hrAC-EdR\_RCP\_pt01b
- 05hrAC-EdR\_RCP\_pt02

➤ Appointments ... Appt

➤ \*\*

➤ Clearinghouse Rules ... CRule

➤ \*\*

➤ Committee Hearings ... CH

➤ \*\*

➤ Committee Reports ... CR

➤ \*\*

➤ Executive Sessions ... ES

➤ \*\*

➤ Hearing Records ... HR

➤ \*\*

➤ Miscellaneous ... Misc

➤ 95hrJC-Fi\_Misc\_pt55

➤ Record of Comm. Proceedings ... RCP

➤ \*\*

Joint Committee on Finance, September 26, 1996

8.

VIII. Educational Technology Board -- Withdrawn.

## STATE OF WISCONSIN

SENATE CHAIR  
BRIAN BURKE

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



ASSEMBLY CHAIR  
BEN BRANCEL

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

## JOINT COMMITTEE ON FINANCE

September 11, 1996

Richard G. Chandler  
State Budget Director  
Department of Administration  
101 E. Wilson, Street, 10th Floor  
Madison, WI 53703

Dear Director Chandler:

On July 24, 1996, you submitted for Committee approval, under a 14-day passive review process, a recommended alternative staffing proposal for the Educational Technology Board as developed by the Board. This proposal was developed in response to the Committee's directive at its April 16, 1996, s. 13.10 meeting.

On August 14, we wrote to inform you that an objection to the proposal had been raised, and that the item would be reviewed at a meeting of the Joint Committee on Finance.

The objection has now been lifted. Consequently, the Committee will not meet on the proposal and it is approved as outlined in your July 24 submittal to us.

BRIAN BURKE  
Senate Chair

Sincerely,

BEN BRANCEL  
Assembly Chair

BB/BB/jc

cc: Members, Joint Committee on Finance  
Todd Penske, ETB  
Linda Nelson, DOA

**LA CROSSE COUNTY  
HUMAN SERVICES DEPARTMENT**

300 FOURTH STREET NORTH  
P.O. BOX 4002  
LA CROSSE, WI 54602-4002

REPLY TO:

ECONOMIC SUPPORT 785-6000

September 13, 1996

Senator Timothy Weeden  
P.O. Box 7882  
Madison, Wisconsin 53707-7882

Dear Senator Timothy Weeden:

I am writing this letter in support of the Coulee Region Cap proposal for a One Stop Shop for Energy and Housing Services. This grant would be funded by the oil overcharge money.

LaCrosse County has been working in collaboration with Coulee Cap and other agencies and businesses in the area to try and serve our clients/customers in a more customer friendly manner. Currently our clients/customers must physically move from location to location to apply for various services. At each location they must fill out an application that asks basically the same questions that they were asked at the last location. What the Coulee Cap proposal is trying to do is eliminate the repetition of filling out multiple applications. The hope is that the client would only have to verify information once and then the information would be shared with the other program providers. They would also be able to apply for different services at one location, even though the providers are at different locations.

This group has been working well together and we would like to see the reach of this program expand to include even more services. By funding this proposal you would be benefitting the many clients who need these services.

If you have any questions about this group, please feel free to contact me.

Sincerely,



---

Tom Miller, Economic Support Supervisor  
Economic Support Unit

TM/jp



**Wisconsin Coulee Region Community Action Program, Inc.**

201 Melby Street, Westby, Wisconsin 54667

FAX # (608) 634-3134

(608) 634-3104

Working with people and communities in Crawford, La Crosse, Monroe and Vernon Counties

September 13, 1996

Senator Timothy Weeden  
Joint Committee on Finance  
PO Box 7882  
Madison, WI 53707-7882

Dear Senator Weeden:

The Joint Committee on Finance has set aside \$1.265 million of Stripper monies to implement low income energy assistance pilot projects. These programs will explore alternative ways to achieve a more sustainable funding strategy to meet the needs of low income residents following cuts in federal funds for Low Income Home Energy & Weatherization Assistance Programs.

I would like to make you aware of the project that our agency has submitted for funding. Wisconsin Coulee Region Community Action Program, Inc. proposes to develop and pilot a computerized one-stop-shop for low income households applying for housing services. Currently, applicants must complete multiple, and often lengthy, applications at different locations with numerous intake workers. We propose that through the use of a computerized system a family can complete one application process for multitude of housing and energy services. This computerized system will screen applicants for eligibility for several programs and electronically transfer completed applications to the appropriate agencies for processing and service delivery.

Governor Thompson has recommended that Coulee CAP be funded at a level of \$275,000 to pilot this system in La Crosse County and in Milwaukee County. The Legislature's Joint Committee on Finance will vote on the Governor's plan on Thursday September 26th. I am asking you to support the Governor's Plan. By implementing this computerized One-Stop-Shop, we will improve the efficiency and the effectiveness of delivering energy services to the low income households of our area. We would appreciate your support of the proposed pilot.

Sincerely,

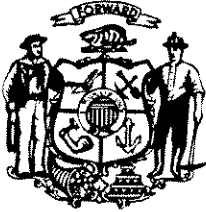
Grace Sierer  
Executive Director

200 E. Blackhawk  
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Telephone: 326-2463  
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Sparta, WI 54656  
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FAX#: 269-1918

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Viroqua, WI 54665  
Telephone: 637-7450  
FAX#: 637-7499



**TOMMY G. THOMPSON**

**Governor  
State of Wisconsin**

August 26, 1996

The Honorable Brian B. Burke, Co-Chair  
Joint Committee on Finance  
100 North Hamilton, Suite 302  
Madison, WI 53707-7882

The Honorable Ben Brancel, Co-Chair  
Joint Committee on Finance  
119 Martin Luther King Junior Boulevard  
Room LL2  
Madison, WI 53708-8952

Dear Senator Burke and Representative Brancel:

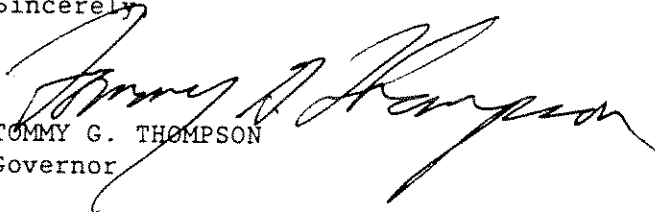
I am pleased to transmit the attached Stripper XVII Low Income Energy Assistance Oil Overcharge Plan for consideration by the Joint Committee on Finance (JCF). As required by Wisconsin Statute 14.065, I am also forwarding a copy to the Chief Clerk of the Senate and Assembly.

In response to cuts in Federal funding for Wisconsin's Low Income Home Energy and Weatherization Assistance Programs, on April 16, 1996, the Joint Committee on Finance (JCF) concurred with my direction to the Department of Administration "to coordinate a thorough exploration of alternatives aimed at achieving a more sustainable low income funding strategy that will continue to meet the needs of Wisconsin as Federal funding declines."

The Committee set-aside \$100,000 of Oil Overcharge funds in unallotted reserve for planning purposes and left \$900,000 unallocated. This Plan proposes to commit that \$1.0 million, plus additional Oil Overcharge funds to implement low income energy assistance pilot programs and for administering other energy efficiency/conservation initiatives. The low income energy assistance initiatives continue Wisconsin's aggressive and innovative approach to assist our most needy residents.

A total of \$1.265 million of Stripper monies, plus interest is recommended. I urge your support of this Plan. The Department of Administration staff will be available to provide additional information that may be required.

Sincerely,

  
TOMMY G. THOMPSON  
Governor

cc: James R. Klauser, Secretary  
Department of Administration

Nathaniel E. Robinson, Administrator  
Division of Energy & Intergovernmental Relations

**GOVERNOR THOMPSON'S 1996 LOW INCOME ENERGY ASSISTANCE OIL OVERCHARGE PLAN**

Wisconsin Low Income Energy Initiative  
Stripper XVII

Prepared by the Department of Administration  
Division of Energy and Intergovernmental Relations  
Wisconsin Energy Bureau

August, 1996

**GOVERNOR THOMPSON'S 1996 LOW INCOME ENERGY ASSISTANCE OIL OVERCHARGE PLAN**

Wisconsin Low Income Energy Assistance Initiative

Plan At-A-Glance

Cuts in Federal funding for the Low Income Home Energy and Weatherization Assistance Programs have created uncertainty about the future for Wisconsin's low income energy assistance recipients. In response to these concerns, on April 16, 1996 the Joint Committee on Finance (JCF) concurred with my direction to the Department of Administration (DOA) "to coordinate a thorough exploration of alternatives aimed at achieving a more sustainable low income funding strategy that will continue to meet the needs of Wisconsin as federal funding declines." This directive authorized DOA to coordinate efforts of interested organizations and concerned stakeholders and develop a Plan designed to address this potential problem. This Plan proposes to commit the \$100,000 placed in unallotted reserve for low income energy assistance by JCF on April 16, 1996, and \$1.165 million of unallocated oil overcharge funds to implement this effort. The five projects contained in this Plan meet one or more of the following objectives:

- Comprehensive energy efficiency services that reduce the energy burden; thus, increasing the affordability and quality of low income housing.
- Increase the efficiency of administering and delivering low income energy services.
- Increase the resources available to assist low income residents in meeting energy needs.
- Potential for Statewide technology transfer.

Each demonstration project emphasizes personal responsibility regarding energy consumption and contains a sustainable, long-term strategy for Statewide expansion. Each initiative is part of a partnership consisting of the private sector, local government, state agencies, non-profit groups, utilities and other involved parties -- all interested in the same objectives -- energy efficiency and energy conservation. This Plan also includes a comprehensive and independent program evaluation designed to provide guidance for modifications during project implementation and to determine the feasibility of Statewide expansion. A Management Committee will be formed and led by the Department of Administration to exercise oversight and track project performance. The Management Committee will have the authority to reallocate funding to successful pilot projects within approved budgets.

This Plan also allocates funds to pilot an intensive "green" building conservation program on the UW-Madison campus and a wind resource assessment program. Additionally, two funding exchanges and the deobligation of unspent funds from four previous oil overcharge programs, are proposed. The recommended low income energy assistance pilot projects are:

**LOW-INCOME ENERGY ASSISTANCE PILOT PROJECTS**

• Conservation Based Energy Assistance Project	\$200,000
• Homeowner Shared Savings Weatherization	\$200,000
• One-Stop-Shop for Energy & Housing Services	\$275,000
• Milwaukee Energy Network	\$200,000
• Campaign to Keep Wisconsin Warm	\$200,000
• Evaluation of Low Income Pilots	\$100,000
• Energy Program Oversight/Management	Interest

**ADDITIONAL ENERGY EFFICIENCY INITIATIVES**

• UW Building Conservation Program	\$40,000
• Wind Resources Assessment Program	\$50,000
Total	<u>\$1,265,000</u>

**TECHNICAL MODIFICATIONS:**

- Stripper XIV: Wind Demonstration Project
- Stripper VIII: Tribal Weatherization
- Stripper XVI: Low Income Pilot Project Development
- State Restitution: State Capital Relamping Project
- Exxon - Stripper XVII Fund Exchange



## SUMMARY OF LOW INCOME PILOT PROJECTS

1. Conservation Based Energy Assistance Pilot Project \$200,000

**CAP Services Inc. of Steven's Point:** This pilot is designed to provide a higher level of energy efficiency services to low income households in Waushara County. Many low income residents live in inefficient dwellings and receive LIHEAP assistance but have little incentive to participate in weatherization programs. This project will provide an additional incentive to households to receive weatherization services based on housing type and energy efficiency status. Also, weatherization services will be expanded to include housing rehabilitation or relocation assistance if the dwelling cannot be made energy efficient.

CAP Services Inc. will lead the pilot working in partnership with Wisconsin Power & Light Company, Wisconsin Gas Company and the Waushara County Department of Social Services. In a national evaluation conducted by the U.S. Department of Energy's Oak Ridge National Laboratory, CAP Services' weatherization program was found to achieve the third highest savings in the nation. Loans will be made to homeowners and landlords and a portion of the costs of installing energy efficiency measures will be recovered; thus, ensuring long-term funding for the program. Because Federal weatherization guidelines do not allow costs to be recovered through loans, Oil Overcharge funds will be used to provide weatherization services. Approximately 80 households will be served over a two-year period to test this concept. Local staff will be funded to design the program, identify eligible households, conduct audits and establish and manage loan arrangements.

2. Homeowner Shared Savings Weatherization Pilot \$200,000

**TecMRKT Works of Oregon, WI:** This project will provide comprehensive "whole house" energy efficiency services to low income homeowners in an eleven-county area of Southwest and West Central Wisconsin (Polk, Barron, St. Croix, Dunn, Chippewa, Pierce, Pepin, Richland, Iowa, Grant, and Lafayette Counties). It will maximize energy savings by allowing weatherization providers to install additional cost-effective energy efficiency measures not typically covered under the existing State weatherization program and by providing energy efficiency education and training to occupants. A portion of the cost of installing the energy efficiency measures will be recovered through a shared savings arrangement on participants' utility bills.

Local community action agencies (CAA) will identify participants and conduct on-site energy audits to calculate savings and determine needed actions. From this information, the CAA will establish a payment structure and enter into a signed agreement with participants. The agreement will specify the energy efficiency measures and on-site energy efficiency training to be provided. The agreement will also encourage personal responsibility by requiring occupants to formally commit to live an energy efficient lifestyle consistent with the training. Once the measures are installed and the training is complete, monthly payments for participants' utility bills will be made to the CAA. The CAA will then pay participants' utility bills and retain a portion of the savings to recover part of the cost of installing the measures. The homeowner will realize the rest of the savings through lower energy bills.

TecMRKT Works, a private consultant, is the lead organization for this project. TecMRKT Works will work in partnership with West Central CAA and Southwest CAA to design the program, monitor on-going operations and provide support and consultation. The program management, operation and delivery will be provided by the local CAA. Federal weatherization guidelines do not allow costs to be recovered through a shared savings arrangement. Therefore, Oil Overcharge funds will be used to pay for energy efficiency improvements in the 30 households in this pilot project.

3. One-Stop-Shop for Energy Housing Services Pilot \$275,000

**Wisconsin Coulee Region Community Action Program of La Crosse:** To qualify for various low income energy and housing programs, applicants must complete multiple and often lengthy applications at different locations and with numerous intake workers. This results in a duplication of administrative services and is

time consuming, costly and confusing for applicants and government alike. Also, individual programs and organizations often provide separate, isolated services with no coordinated plan to address low income energy assistance and/or housing needs.

This project will pilot a one-stop-shop for energy and housing services in two areas -- La Crosse and Milwaukee Counties -- using a computerized intake, application and referral process. During a single visit, an intake worker will enter applicants' information into a standardized computer application, screen for eligibility of various programs and electronically transfer completed applications to the appropriate agencies for processing and service delivery. The two-part pilot will use existing and compatible software packages and coordinate existing systems and services customized to meet the specific needs of each community. Both systems also will be designed to transfer completed LIHEAP and Weatherization data directly into the State's mainframe computer. Coulee CAP, in partnership with stakeholders from Milwaukee County, will be responsible for coordinating the administration of both elements of the pilot project to assure that the computer systems are compatible and suitable for Statewide expansion. Oil Overcharge funds will be used primarily for developing the computerized system, purchasing equipment and training staff.

In La Crosse County, the Wisconsin Coulee Region Community Action Program (CAP) will lead the pilot and coordinate the energy and housing services provided by 13 local organizations. Based on the success of the pilot, this partnership plans to expand to more than 40 community service agencies in La Crosse County to coordinate a broader range of low income programs. However, in Milwaukee County, the Department of Human Services will lead the partnership in cooperation with utilities and local low income organizations.

4. Milwaukee Energy Network Pilot \$200,000

**Community Advocates of Milwaukee:** This project is designed to provide comprehensive energy efficiency services on an intensive basis for up-to 500 low-income households in Milwaukee County. Participants will receive counseling and assistance to establish affordable utility payment plans and maintain a regular co-payment schedule. They also will be required to attend a series of energy education workshops. Wisconsin Gas, Wisconsin Electric Power, Inter Faith Older Adult Programs, OIC-GM, Milwaukee County Human Services Department and the Milwaukee County Department on Aging have expressed support.

This pilot will also provide grants to supplement weatherization funding for low-income households to meet high energy efficiency standards in planned rehabilitation projects. The funds will partially cover the differential costs of the energy efficiency upgrades. The upgrades will expand traditional weatherization activities to include additional cost-effective measures. Project partners will coordinate existing resources and grant proposals to leverage available funding sources (e.g., CDBG, HUD, FHA, and utility low-income funds). Partners will also modify existing programs and procedures to incorporate energy efficiency measures into building rehabilitation programs.

5. Campaign to Keep Wisconsin Warm Pilot \$200,000

**Energy Services, Inc. (ESI) of Madison:** These funds will be used to assist low income households experiencing heating crises and/or requiring weatherization improvements. Benefits will be targeted to high risk households with elderly, disabled and children that are eligible for the LIHEAP and Weatherization programs. This project will also use a community-based approach to raise contributions from businesses, utility customers, community organizations and individuals in Dane County to expand its ability to meet low income energy assistance needs.

In addition to providing for heating crises assistance and weatherization improvements, Oil Overcharge funds will match each dollar of new private cash contributions collected by Energy Services Inc. (ESI). In an era of declining Federal dollars, many states and local communities throughout the country are implementing innovative strategies to attract alternative sources of funding without raising taxes. ESI has already initiated the basic components of this project, with plans for Statewide expansion.

6. Evaluation of the Low Income Energy Assistance Pilots \$100,000

**Energy Center of Wisconsin:** A thorough and credible evaluation of the pilot projects is necessary to determine the feasibility of Statewide replicability and expansion. It is imperative that this evaluation be conducted by a well-qualified organization, independent from the agencies operating the pilot projects, to ensure reliable and objective results. Given its previous experience and qualifications, this Plan proposes to contract with the Energy Center of Wisconsin to conduct or subcontract the evaluation.

The evaluators will meet regularly with the DOA-led Management Team to provide input about the ongoing progress of the projects. The evaluation will be a dynamic process that allows corrections to be made to program design and delivery as areas of improvement are identified rather than waiting until the pilot is completed. The evaluation will document the benefits directly received by low income households; the savings from improving the efficiency of administering and delivering the programs; and, the effectiveness of strategies to provide new long-term funding and other important elements. In addition, the evaluation will provide direction for Statewide expansion and information for other states confronting similar problems.

7. Energy Program Management Accrued Interest

Broad policy and oversight will be the responsibility of the DOA-led Management Team which will have the authority to reallocate funds within the approved budgets allocated for these pilots and to modify the methodologies/strategies, as the need arises. None of the accrued interest will be used for this purpose. However, for traditional technical assistance for the pilot projects' program development, monitoring and related administrative support to agencies and groups working with low income energy assistance issues, accrued interest will be used to support the increased involvement of the DOA Energy Bureau's staff time required to service and/or coordinate the initiatives defined in this Plan. Funding will come from future and accrued but unallocated Stripper XV interest (\$27,483.51, as of June 30, 1996) and future and accrued but unallocated Stripper XVII interest (\$11,577.17, as of June 30, 1996).

**ADDITIONAL ENERGY EFFICIENCY INITIATIVES**

1. UW Building Conservation Program \$40,000

**Department of Administration (Division of Facilities Development):** The Department of Administration, Division of Facilities Development, will lead a pilot, in partnership with the University of Wisconsin, to develop intensive "green" building conservation practices on the UW-Madison campus. Initially focusing on one-or-two buildings, the project will adapt the conservation practices to the Madison campus and UW system. The project will consist of six steps: data collection of current use, development of communication links among stakeholders, construction of a building management plan, demonstration of innovative products and practices, promotion of appropriate occupant behavior and performing an overall project evaluation. Energy conservation activities will be incorporated into all project components including energy education for faculty, students and building maintenance personnel. Innovative energy saving practices and equipment will be implemented. Building weatherization and modification to heating, ventilation, and air conditioning (HVAC) equipment will be completed as needed. Oil Overcharge funds will be used for program design and product delivery.

2. Wind Resources Assessment Program \$50,000

**Department of Administration (Division of Energy and Intergovernmental Relations):** These funds will be used to develop a Statewide wind data management and dissemination system. This wind data will be collected by Wisconsin utilities under the new Utility Wind Resource Assessment Program, which is the result of the Public Service Commission's Advance Plan 7, Order Point #5.5. The Energy Bureau will serve as the repository and disseminator of Statewide data to be collected under the program. Funds will be directly applied to data management, review and analyses, and dissemination. Funding is made available through the deobligation described under Technical Modifications, Funding Deobligations, paragraph A.

## TECHNICAL MODIFICATIONS

### 1. FUNDING DEOBLIGATIONS

- A. **Deobligation of Stripper XIV - Wind Demonstration Project:** On February 2, 1994, the JCF's approval of the Stripper XIV plan included \$50,000 for a low windspeed turbine demonstration project. The funding was intended to pay a portion of Wisconsin Public Power Incorporated's (WPPI) cost of participating in the Wisconsin Utility Low Windspeed Turbine Project. WPPI has since elected not to participate in the project. These funds will be reallocated to the aforementioned Wind Resources Assessment Program.
- B. **Deobligation of Stripper VIII - Tribal Weatherization Funds:** The Wisconsin Conservation Corporation has asked that DOA deobligate \$72,000 originally allocated to Tribal Weatherization. The allocation was made by the Joint Committee on Finance under Stripper VIII on March 19, 1991. The intended beneficiaries of this funding have not been able to meet the requirements to receive it and the WCC does not anticipate any future Tribal Weatherization requests. These funds are reallocated as part of this low income energy assistance Plan.
- C. **Deobligation of Stripper XVI - Low Income Initiative Funds:** The \$ 100,000 allocated to this program on April 16, 1996 should be reallocated as part of this low income energy assistance initiative.
- D. **Deobligation of State Capitol Relamping Program:** The relamping program which the JCF approved on December 18, 1990 was accomplished without oil overcharge funds. This deobligation will make available an additional \$39, 100 in oil overcharge funding. These funds are to be reallocated to the aforementioned UW Building Conservation Program.

### 2. EXXON - STRIPPER XVII FUNDING EXCHANGE

This exchange maximizes Federal funds available for low income energy assistance and provides the flexibility to implement the demonstration projects. This Plan exchanges \$1,068,000 of available Stripper XVII funding and \$32,000 of deobligated Tribal Weatherization funds with \$1.1 million in Exxon funds approved by the Governor and JCF on January 11, 1993 for the Low Income Home Energy Assistance Program (LIHEAP). Federal LIHEAP regulations allow a dollar-for-dollar Federal match to State LIHEAP expenditures made with Stripper funds, but not with Exxon funds. Therefore, this exchange will provide an additional \$1.1 million of Federal LIHEAP funding and not impair the implementation of the demonstration projects delineated in this Plan.

The following Tables summarize the financial transactions embodied in this Plan

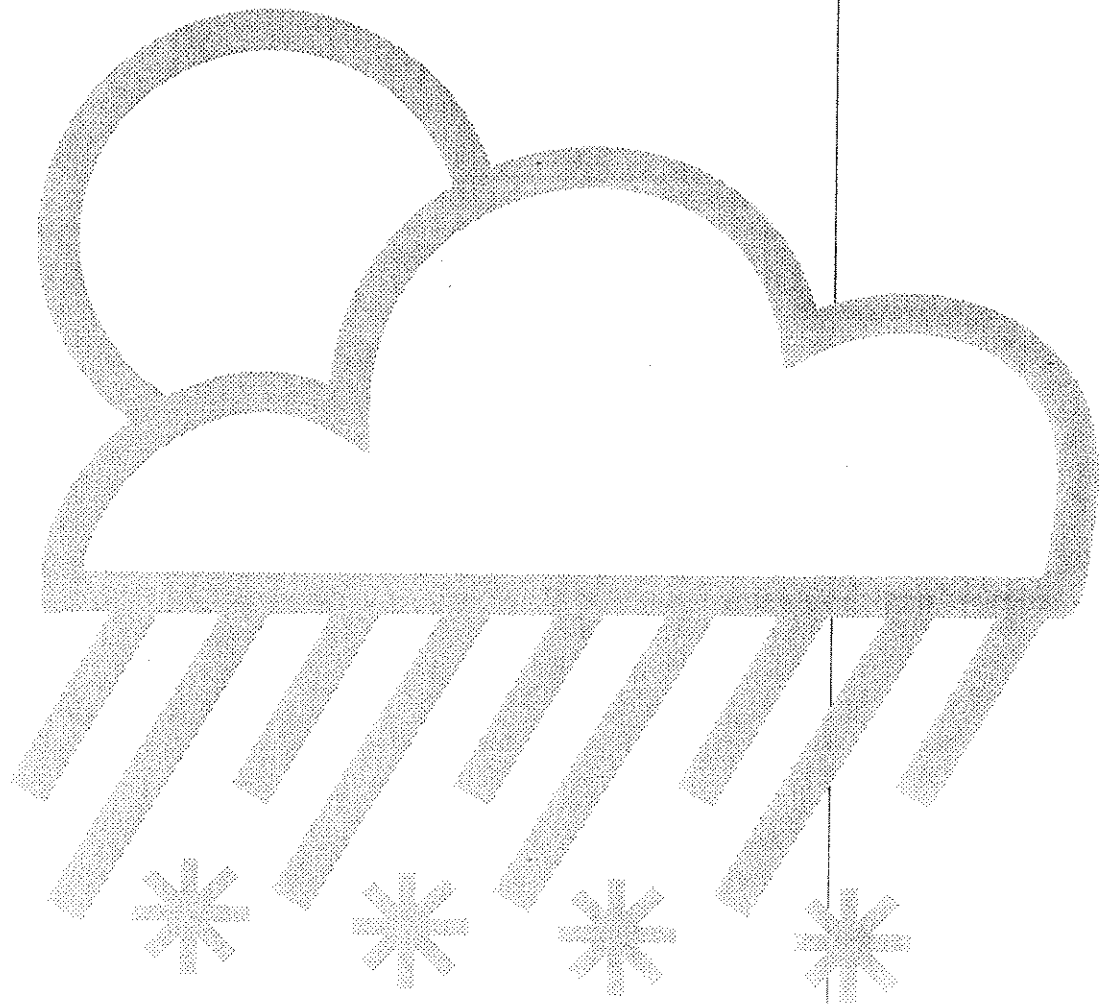
<b>PROPOSED LIHEAP FUND TRANSFER</b>		
<b>Transfer TO LIHEAP</b>		
	New Stripper XVII Funds	\$968,000
	Deobligated Stripper XVI funds	\$100,000
	Deobligated Stripper VIII Tribal Weatherization Funds	<u>32,000</u>
<b>Total</b>		<b>\$1,100,000</b>
<b>Transfer FROM LIHEAP</b>		
	Exxon funds	\$1,100,000

<b>PROPOSED REVENUE SOURCES</b>	
Reallocated Exxon Funds from LIHEAP	\$1,100,000
Deobligated State Restitutionary Funds	\$39,100
New State Restitutionary Funds	\$35,900
Deobligated Stripper VIII Tribal Weatherization Funds	\$40,000
Deobligated Wind Demonstration Funds	<u>\$50,000</u>
<b>Total</b>	<b>\$1,265,000</b>

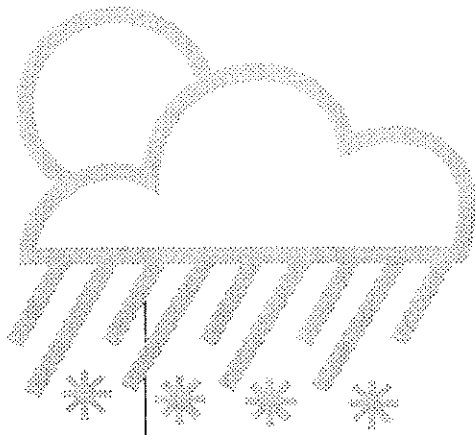
<b>PROPOSED EXPENSES</b>	
Conservation Based Energy Assistance Project	\$200,000
Homeowner Shared Savings Weatherization	\$200,000
One-Stop-Shop for Energy & Housing Services	\$200,000
Milwaukee Energy Network	\$275,000
Campaign to Keep Wisconsin Warm	\$200,000
Evaluation of Low Income Pilots	\$100,000
UW Building Conservation Program	\$40,000
Wind Resources Assessment Program	\$50,000
Energy Program Management	<u>*</u>
<b>Total</b>	<b>\$1,265,000</b>

\* Receives interest

*1996 Annual Report and Outlook*  
*Weatherization Assistance Program*



*Wisconsin Department of Administration*  
*Division of Housing*



## *Weatherization: Leading the way*

*A response to energy shortages in the early 1970's, the Weatherization Assistance Program for Low Income People pioneered in Wisconsin in 1975. At that time, the program was funded through the federal Community Services Administration and emphasized job creation along with installation of low cost weatherization measures—weatherstripping, storm doors, and attic insulation.*

*In 1977, with Department of Energy funding, emphasis shifted to long term energy conservation strategies with the greatest cost effectiveness, adding furnace replacement in 1986.*

*After weatherizing over 125,000 buildings in the state, Wisconsin's weatherization program is a leader in the nation through its staff's expertise as "the whole house people", greater energy savings, planned management, partnerships, and for-profit activities.*

*This is a mature, steady program that has been providing long term energy and economic benefits to Wisconsin for 20 years — and will continue its strong contribution to the state's residential energy conservation sector.*

# *1996 Annual Report*

## *Low Income Weatherization Assistance Program*

### *Energy Performance Professionals*

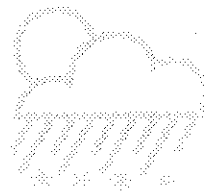
**O**n the leading edge of weatherization knowledge for years, the Wisconsin program has produced an unusual expertise in the field. What its highly trained staff are best at is deciphering how each structure uses energy and how to conserve that energy. After years of acquiring skills and knowledge in computerized energy auditing, diagnostic testing, ventilation patterns, heat envelope characteristics, heating systems, refined insulation standards, and inspections for health and safety, they are becoming known in their communities as "the whole house people".

Knowing how to secure existing Wisconsin homes against the state's extreme winters is an expertise that has acquired unique characteristics in the housing industry and in the country:

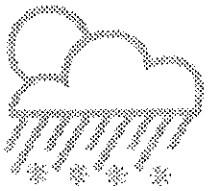
- ◆ An understanding of energy that fills a gap in the construction industry
- ◆ Interaction with occupants about using the energy
- ◆ Repair and rehabilitation of structures in order to bring dwellings up to appropriate housing standards and to protect the energy conservation investment, from roof and foundation repairs to moisture control and electrical upgrade
- ◆ Inspections for health and safety hazards, such as the presence of asbestos or lead-based paint, moisture and ventilation problems, and electrical and plumbing systems
- ◆ A tradition of continuous and intensive training in advanced technologies to support the specialized and highly technical expertise of weatherization field staff
- ◆ Collaborative partnerships with the utilities, the community action association, housing rehabilitation resources, the State Energy Bureau, the Low Income Heating Assistance Program (LIHEAP), and others.
- ◆ Planned management strategies and computerized management tools to fine-tune efficiency without affecting quality, such as production management reports, energy auditing with a computer-generated work order, and the LIHEAP-generated eligibility certification list

With its integrated systems approach, the Low Income Weatherization Assistance Program has expanded beyond conventional weatherization measures to become a more comprehensive and effective service to Wisconsin households.

Wisconsin's weatherization program is a significant source of energy conservation expertise for existing housing in a northern climate state.







## *1995 Production and Energy Savings*

### *What Weatherization Does and What It Costs*

Energy conservation, the purpose of a weatherization program, is accomplished through measures that are installed on single family houses, apartment buildings and mobile homes.

In the 1995 program year (which extended from April 1, 1995 through March 31, 1996) the State's low income weatherization program completed work on **6,126 houses, apartments and mobile homes**. Of these 4,358 were owned and 1,341 were rental units. Of the total units, 3,542 were occupied by single families.

Households with elderly, handicapped, and children under six years of age receive special attention in the weatherization program. In 1995, 1,867, or approximately 30%, were households of elderly persons, and 1,724 were households of handicapped persons, or 28%.

Expenditures averaged \$2,551 per dwelling in 1995. These costs include primarily materials, labor, operating a computerized energy audit, and a high level of training, as well as the increasing costs of inspecting and treating health and safety problems. Approximately 153 unsafe furnaces were replaced during the year at an average cost under \$2000.

The most cost effective work that can be done on structures is determined by an energy auditor, who uses a computerized energy audit, a blower door and an array of testing techniques. Measures that may apply include insulation of attic, foundation, sidewall, box sill, and floors above unheated spaces; air infiltration stoppage (caulking, patching, window and door repair); heating system replacement or retrofit; inspection of chimney, heat ducts and pipes; and water heater insulation.

About one-quarter of weatherized buildings received some kind of repair. These repairs are needed to preserve the weatherization measures and bring housing up to code.

To protect the health and safety of the home's occupants, an extensive inspection is conducted for hazards that may be exacerbated or created by weatherization work. The home is inspected for excessive moisture, unsafe appliances, electrical and plumbing systems, presence of asbestos or lead-based paint, structural hazards, and adequate ventilation.

### *The Savings In Energy and Dollars*

Weatherization saves energy by reducing fuel consumption in homes. According to a major evaluation just completed in Wisconsin, on average, weatherized buildings use 26% less energy for space heating, making them more affordable for occupants. Exemplary agencies report average savings of over 33% for single family homes, with up to 60% savings on certain individual homes.

A one-year investment in weatherization saves about 4 trillion Btus over the 20 year lifetime of the measures, roughly the equivalent of 650,000 barrels of oil.

With highly trained staff, the latest technologies, and comprehensive monitoring, Wisconsin's weatherization program has consistently increased its cost effectiveness. Total costs of weatherization (for all fuel types) averaged \$2,551 per household in 1995. Using the results of a recently completed evaluation of the program, the benefit to the household of weatherization is about \$2,832.

When non-energy economic benefits are factored in, such as reduced utility arrearages, increased property value, income and taxes generated, avoided social welfare costs, reduced incidence of fire, and costs to the environment of burning fossil fuels, the benefit cost ratio is estimated at 1.65 for the Wisconsin program.

The bottom line for low income people in Wisconsin is that the weatherization program helps people pay their bills by reducing monthly fuel bills and freeing a portion of their tight budgets. According to a 1993 study, energy costs are reduced by \$243 per household, or a total of \$1,488,618 statewide. This means that for those homes weatherized in 1995, over the 20 year lifetime of the measures, nearly \$30 million will be saved in energy costs, making this amount available to pay other essential expenses and reduce the likelihood of non-payment of utility bills.

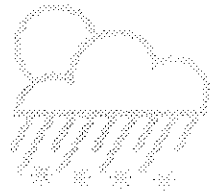
The most important indicators of cost effectiveness are the long term impacts of weatherization. A weatherized house lessens the need for temporary fuel assistance by providing long-lasting fuel reduction. Weatherization acts more as a preventive program, rather than short term support. Because of State-provided weatherization services in this past year alone, approximately 13,000 people in Wisconsin live in warmer, safer, healthier homes.

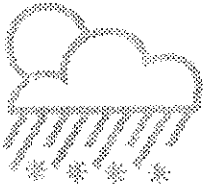
Older housing stock is preserved when weatherization and repairs add to the affordability and life of the structure. In some rural and multi-family housing, weatherization makes the difference between habitability and abandonment of the building.

## *Funding and Program Expenditures*

Funding sources for the weatherization program in 1995 were the Department of Energy (DOE) funds of \$7.8 million, \$7.1 million from the LIHEAP transfer, and \$1.2 million from outside sources such as rental property owners and Wisconsin utilities, for a total of \$16.1 million. Oil Overcharge (Exxon) funding, begun in 1987, has been depleted. When Exxon funds were available, the total funding level averaged over \$21 million annually in direct assistance. Program income totaled \$1.43 million in 1995.

Federal funding for the weatherization program in 1996 was reduced by Congress approximately 40 percent. Current 1996 DOE funding for low income weatherization in Wisconsin totals \$4.2 million, and the LIHEAP transfer is \$4.8 million. Agency programs began reducing expenditures accordingly, with such measures as reducing the number of crews, moving the office into the warehouse, not replacing equipment, etc. Additional sources of income are being more aggressively pursued. These include contracting with utilities, landlord contributions, housing rehabilitation resources, and for-profit enterprises.





## *Weatherization Pays Off*

Throughout its 20 years of leadership among weatherization programs in the nation, the State's low income weatherization program has saved energy and supported local economies in Wisconsin by

### *The 20th Year*

A major shift in the program was signaled by two events in 1995:

- ◆ Federal funding declined significantly in DOE and LIHEAP; Exxon funds were depleted.
- ◆ Utility restructuring threatened to reduce further the level of weatherization services.

Initially an uneasy scenario, the picture began to hold more promise with events in 1996:

- ◆ LIHEAP was transferred to the Division of Housing, reuniting the energy services programs.
- ◆ A Public Benefits process was started to address the social issues related to utility restructuring. The process has identified low income weatherization as a service that must continue after deregulation.

New approaches to financing and collaboration enable the weatherization program to sustain its efforts in preserving older housing in Wisconsin.

- ◆ Conserving residential energy in high energy using homes, thereby reducing energy use in the state, as well as reducing heating bills of low income people, with an annual energy savings estimated at 2 1/2 percent;

- ◆ Helping people to stay in their homes by making housing affordable through reduction of the energy burden and saving older housing stock. In some rural and multi-family housing, weatherization makes the difference between livability and abandonment of the structure;

- ◆ Enriching the state's economy by \$46 million with weatherization's \$14 million operation — through the creation of over 325 jobs, purchases of weatherization materials, spillover of products and services in the Wisconsin market, and a wide range of non-energy benefits, showing that energy conservation can be a growth industry in the state;

- ◆ Avoiding economic and social costs of utility arrearages and local government welfare programs;

- ◆ Reducing the state's vulnerability to energy dependence, fuel shortages and price increases;

- ◆ Reducing export of Wisconsin dollars to purchase fossil fuels;

- ◆ Reducing pollution through energy savings and encouragement of materials and methods that are environmentally friendly.

*Two prior annual reports describe the program more extensively:*

#### *"Weatherization Pays Off"*

*The 1994 report (summarized in the above box) described the direct and indirect economic and other non-energy benefits of the weatherization program in Wisconsin.*

#### *"Weathering Change"*

*As the effects of changes began to hit the program in 1995, that year's report reviewed 20 years of progress, events and trends, and presented an outlook of the program's direction and possibilities. Copies are available from the Weatherization Bureau, Division of Housing, 608-266-5333.*

# *Who Does The Weatherizing?*

In Wisconsin, weatherization services are provided by Community Action Agencies, Housing Authorities, local governments, tribal organizations, and other non-profit organizations.

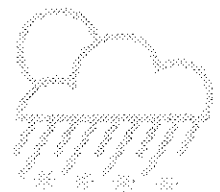
## ***Program Administrator:***

Advocap, Inc.  
Ashland Co. Housing Authority  
CAP Services, Inc.  
Central Wisconsin CAA  
Hartford Community Devel. Authority  
Indianhead CAA  
La Casa de Esperanza  
Lakeland Retirement Foundation  
Newcap, Inc.  
North Central CAP, Inc.  
Opportunities Industrialization Center  
Outagamie County  
Partners for Community Development  
Project Home  
Racine/Kenosha CAA  
Rock/Walworth Community Action  
Southwest Wisconsin CAP  
City of Superior  
West Central CAA  
Western Dairyland EOC  
Wisconsin Coulee Region CAP  
Women's Employment Project  
Eleven tribes of Wisconsin

## ***Counties Served:***

Fond du Lac, Winnebago, Green Lake  
Ashland, Bayfield  
Marquette, Portage, Waupaca, Waushara  
Adams, Columbia, Juneau, Sauk  
Dodge, Washington  
Burnett, Clark, Rusk, Sawyer, Taylor, Washburn  
Jefferson, Waukesha, partial Milw. Co.  
Iron, Oneida, Price, Vilas  
Brown, Florence, Forrest, Marinette,  
Oconto, Shawano, Menominee  
Langlade, Lincoln, Marathon, Wood  
City of Milwaukee  
Calumet, Outagamie  
Manitowoc, Ozaukee, Sheboygan  
Dane, Green  
Kenosha, Racine  
Rock, Walworth  
Grant, Iowa, Lafayette, Richland  
Douglas  
Barron, Chippewa, Dunn, Pepin, Pierce,  
Polk, St. Croix  
Buffalo, Eau Claire, Jackson, Trempealeau  
Crawford, LaCrosse, Monroe, Vernon  
Door, Kewaunee

*For more copies or information on the Low Income Weatherization Assistance Program, contact your local program administrator or the Division of Housing, Weatherization Bureau, at 608-267-3681. (Email is loschh@mail.state.wi.us)*





## Legislative Fiscal Bureau

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

September 26, 1996

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Section 13.10 Request to Approve the Governor's Proposal to Expend "Stripper XVII" Oil Overcharge Restitution Funds -- Agenda Item IX

### INTRODUCTION

Under procedures set forth in s. 14.065 of the statutes, any new oil overcharge expenditure plan must be submitted simultaneously to the Joint Committee on Finance and to the Chief Clerk of each house of the Legislature. Each Chief Clerk then forwards the plan to the committee in each house having jurisdiction over energy matters. The energy committees have up to 30 calendar days from receipt of the Governor's proposal to forward their recommendations on the expenditure proposal to the Joint Committee on Finance. The Joint Committee on Finance may not hold a meeting under s. 13.10 to approve, modify or disapprove the Governor's proposal until either 30 calendar days after the original receipt of the proposal or upon receipt of the energy committees' recommendations, whichever is earlier.

On August 27, 1996, the Committee received a letter from Governor Thompson containing a proposal dated August 26, 1996, to expend \$1,265,000 FED (plus all interest accruing) of oil overcharge restitution funds. This proposed expenditure plan constitutes the latest allocation of "stripper well" funds which first began to be received by the state in December, 1986. The funds in question continue to derive from the settlement of suits between the federal Department of Energy (DOE) and petroleum companies found to have illegally overcharged consumers for petroleum products.

This current expenditure plan was submitted to the Senate and Assembly Chief Clerks and forwarded respectively to the Senate Committee on Environmental Resources and Urban Affairs and to the Assembly Committee on Environment and Utilities. It is understood that neither the Senate energy committee nor the Assembly energy committee plan to hold hearings on the current proposal during the 30-day review period for the purpose of developing any recommendations for submittal to the Joint Committee on Finance. Accordingly, the Co-chairs

scheduled the "Stripper XVII" oil overcharge allocation proposal for consideration at the Committee's September 26, 1996, meeting under s. 13.10 of the statutes.

## BACKGROUND

The Governor's allocation proposal contains recommendations to approve for expenditure a total of \$1,265,000 FED of oil overcharge restitution funds derived from a variety of sources, plus all interest accruing on this total amount. The Governor's proposal includes requested amendments to four previously approved oil overcharge expenditure plans (Stripper VIII, XIV and XVI allocations and a previous direct allocation to the state) to deobligate funds for four specific projects and to reprogram those funds for initiatives under "Stripper XVII." Finally, the Governor's proposal would exchange \$1,100,000 FED of previously allocated Exxon oil overcharge restitution funds for an equivalent amount of "Stripper" funds for the Low Income Home Energy Assistance Program (LIHEAP) in order to enhance the ability under LIHEAP to match federal funding. Under provisions of s. 14.065(5) of the statutes, any amendments to previously approved allocation plans must also be approved by the Committee meeting under s. 13.10 of the statutes.

At issue in the original "stripper well" controversies was the application of certain price controls on crude oil during the period from early 1974 until early 1981. During the period in question, the affected oil producers were required to deposit, into an escrow fund, the difference between the "stripper well" crude oil price and the controlled price, pending a determination of the validity of the pricing regulations. These regulations were ultimately upheld. A subsequent, highly complex final settlement agreement relating to the distribution of the escrow funds was entered on July 7, 1986. That agreement began the initial disbursement of more than \$1.43 billion of "stripper well" overcharge amounts to hundreds of claimants. Of that total amount, approximately \$660 million was earmarked to be returned to the states. Subsequently, the 1986 settlement agreement was made the mechanism by which all future oil overcharge restitution fund amounts deriving from a variety of sources are to be distributed to the states. It is anticipated that Wisconsin will continue to receive oil overcharge restitution funds under the "stripper well" payout mechanism from a variety of legal settlements for at least four to five more years.

With respect to how the "stripper well" funds may actually be allocated by the states, the federal court has given each state relatively broad discretion in selecting among restitutionary energy-related programs. Among the permitted applications of the funds are the programs enumerated in the Warner amendment (Section 155 of P.L. 97-377, the 1983 Continuing Appropriations Act). These programs include: (1) weatherization of buildings and dwellings of low-income, handicapped or elderly persons; (2) implementation of state energy conservation programs; (3) reduction of energy consumption in, or finding cheaper alternative energy sources for, schools and hospitals; (4) promotion of conservation by small businesses and individuals; and (5) assistance to low-income individuals with home heating bills. In addition to these general programs, any other broadly restitutionary energy-related project benefiting petroleum users which

has previously been approved by a federal court or by the federal DOE is also a permitted use for "stripper well" funds.

To date, "stripper well" funds have been allocated on seventeen previous occasions, in twelve instances as a result of action on allocation proposals submitted by the Governor and in four instances as a result of specific legislation. These previous allocation actions are summarized in Table 1 below.

**TABLE 1**  
**Previous "Stripper Well" Oil Overcharge Allocations**

<u>Allocation</u>	<u>Action</u>	<u>Date</u>	<u>Original Amount Allocated (FED)</u>
Stripper I Plan	JFC Modified Plan	December 18, 1986	\$12,792,700 <sup>a</sup>
Stripper II Plan	JFC Modified Plan	January 27, 1988	2,356,100 <sup>a</sup>
Stripper III Plan	JFC Modified Plan	May 2, 1988	100,000
Stripper III Amendment	1987 Wisconsin Act 399	May 17, 1988	300,000
Stripper IV Plan	JFC Modified Plan	December 12, 1988	2,930,507 <sup>b</sup>
Stripper V Plan	JFC Modified Plan	March 15, 1989	232,544 <sup>c</sup>
Stripper VI Plan	1989 Wisconsin Act 31	August 9, 1989	600,000
Stripper VII Plan	JFC Modified Plan	December 19, 1989	3,108,597 <sup>d</sup>
Stripper VIII Plan	JFC Modified Plan	December 18, 1990	2,642,111 <sup>e</sup>
Stripper IX Plan	JFC Modified Plan	March 13, 1991	95,000
Stripper X Plan	1991 Wisconsin Act 39	August 15, 1991	998,500
Stripper XI Plan	JFC Modified Plan	February 13, 1992	1,711,819 <sup>f</sup>
Stripper XII Plan	JFC Modified Plan	December 15, 1992	3,379,416 <sup>g</sup>
Stripper XIII Plan	1993 Wisconsin Act 16	August 12, 1993	1,158,200
Stripper XIV Plan	JFC Modified Plan	February 2, 1994	1,613,398 <sup>h</sup>
Stripper XV Plan	JFC Modified Plan	October 25, 1995	539,500 <sup>i</sup>
Stripper XVI Plan	JFC Modified Plan	April 16, 1996	<u>700,000<sup>j</sup></u>
<b>TOTAL ALLOCATIONS</b>			<b>\$35,258,392</b>

<sup>a</sup>Plus all interest accruing [allocated to the institutional conservation (Schools and Hospitals Weatherization Program)]. In addition, \$1,000,000 originally allocated for construction of an ethanol plant on January 27, 1988, was subsequently reallocated as part of the December 12, 1988, "Stripper IV" approval.

<sup>b</sup>Plus interest (identified as \$82,100 in 1989-90 and \$138,200 in 1990-91 in the 1989-91 biennial budget) allocated to the DOA Energy Bureau for oil overcharge management and reporting activities.

<sup>c</sup>Plus interest accruing to December 31, 1988.

<sup>d</sup>Plus accrued and future "Stripper VI and VII" interest.

<sup>e</sup>Plus accrued and future "Stripper VIII" interest.

<sup>f</sup>Plus accrued and future "Stripper XI" interest. An additional \$250,000 of "Stripper XI" funds were also allocated for a Sheet Metal Workers Energy Management Program; however, this component was item vetoed by the Governor. The resulting unprogrammed \$250,000 subsequently became part of the "Stripper XII" allocation plan.

<sup>g</sup>Plus accrued and future "Stripper XII" interest.

<sup>h</sup>Plus accrued and future "Stripper XIV" interest. Of the amounts originally allocated, \$30,000 was placed in unallotted reserve by Joint Finance. On June 22, 1994, the Committee subsequently allocated the amounts in unallotted reserve to fund an auto train feasibility study by the Department of Transportation.

<sup>i</sup>Allocation of available unprogrammed oil overcharge balances to supplement low-income energy assistant program crisis assistance benefits which had most recently been provided under "Stripper XIV" and through reallocations of Exxon oil overcharge residual amounts. Since these earlier approved allocation plans had been submitted for amendment approval at the October 25, 1995, meeting of Joint Finance, the Committee acted to allocate these unprogrammed funds in the context of approving the amendments to the earlier plans.

<sup>j</sup>Plus accrued and future "Stripper XVI" interest. Of the amounts allocated, \$100,000 was placed in unallotted reserve for subsequent release after submittal of a detailed expenditure plan for low-income initiatives.

## SUMMARY OF ALLOCATION PROPOSALS

### Stripper XVII

The Governor's "Stripper XVII" proposal would allocate for expenditure \$1,265,000 FED of oil overcharge restitution funds, plus certain additional interest earnings, derived from the following sources: (1) \$968,000 of currently available, unprogrammed oil overcharge restitution funds; (2) \$261,100 of previously allocated funds which would be deobligated from their original purposes and reprogrammed as part of this proposal; (3) \$35,900 of restitution funds received by the state as direct restitution for overcharges previously paid by state government agencies; and (4) the accrued and future unallocated "Stripper XV" interest (\$27,484 as of June 30, 1996) and all accrued and future "Stripper XVII" interest (\$11,577 as of June 30, 1996). In conjunction with this request, \$1,100,000 of previously allocated Exxon oil overcharge restitution funds would be exchanged with an equivalent amount of these "Stripper XVII" funds for the LIHEAP program. The Governor's proposed allocation plan is summarized in Table 2 below:

**TABLE 2**

**Governor's Oil Overcharge Plan Proposal  
to Expend "Stripper XVII" Oil Overcharge Funds  
(FED Funds)**

<u>Program Element</u>	<u>Administering Agency</u>	<u>Governor's Proposal</u>
A. Conservation Based Energy Assistance Pilot Project	Administration (Energy)	\$200,000
B. Homeowner Shared Savings Weatherization Pilot Project	Administration (Energy)	200,000
C. One-Stop for Energy & Housing Services Pilot Project	Administration (Energy)	275,000
D. Milwaukee Energy Network Pilot Project	Administration (Energy)	200,000
E. Campaign to Keep Wisconsin Warm Pilot Project	Administration (Energy)	200,000
F. Evaluation of the Low-Income Energy Assistance Pilot Projects	Administration (Energy)	100,000
G. UW Building Conservation Program	Administration (Facilities Development)	40,000
H. Wind Resources Assessment Program	Administration (Energy)	50,000
I. Energy Program Management Costs	Administration (Energy)	<u>Interest</u> <sup>a</sup>
	<b>TOTAL</b>	<b>\$1,265,000<sup>b</sup></b>

<sup>a</sup>Consisting of accrued and future unallocated "Stripper XV" interest earnings and all accrued and future "Stripper XVII" interest earnings.

<sup>b</sup>Of this total, \$1,100,000 of "Stripper XVII" funds would be exchanged with an equivalent amount of Exxon funds.



## **Amendments to Previously Approved Expenditure Plans**

In addition to the "Stripper XVII" allocation proposal, this submission also includes requested amendments to five previously approved oil overcharge expenditure plans. These amendments are summarized below.

Amendment to the "Stripper VIII" Allocation Plan. The Governor is requesting that \$72,000, representing the remaining balances of the Tribal Housing Weatherization Program, originally allocated as part of the "Stripper VIII" expenditure plan be deobligated and reprogrammed as part of the "Stripper XVII" proposal.

Amendment to the "Stripper XIV" Allocation Plan. The Governor is requesting that the \$50,000 originally allocated to a Prototype Low Wind Speed Turbines Project as part of the "Stripper XIV" expenditure plan be deobligated and reprogrammed as part of the "Stripper XVII" proposal.

Amendment to the "Stripper XVI" Allocation Plan. The Governor is requesting that the \$100,000 originally placed in unallotted reserve for a future low-income sustainable energy pilot project as part of the "Stripper XVI" expenditure plan be deobligated and reprogrammed as part of the "Stripper XVII" proposal.

Amendment to Previous Plan to Expend Direct Restitution Amounts Received by the State. On December 18, 1990, the Joint Committee on Finance approved the allocation of \$40,099 of oil overcharge restitution funds received by the state for its direct share of overcharges on fuel used by the state's fleet vehicles and on fuel oil used to heat state facilities. These funds were originally programmed for a State Capitol relamping project. The Governor is requesting that \$39,100 of these funds be deobligated and reprogrammed as part of the "Stripper XVII" proposal.

Amendment to Previous Allocation of Exxon Oil Overcharge Restitution Funds. On January 11, 1993, the Joint Committee on Finance approved the allocation of \$6,800,000 of remaining Exxon oil overcharge restitution funds for the LIHEAP program. The Governor is requesting that \$1,100,000 of these Exxon monies previously allocated be exchanged with an equivalent amount of "Stripper XVII" and deobligated funds in order to maximize federal matching funds.

## **ANALYSIS**

### **Discussion of Specific Stripper XVII Program Allocations**

Each of the "Stripper XVII" proposals is discussed in the following sections and the program element designations are those as listed in Table 2. However, the first six elements (program elements A thru F) of the Governor's Stripper XVII expenditure plan are related in that they follow upon a proposed use of oil overcharge funds that was first advanced in the

Governor's "Stripper XVI" oil overcharge funds expenditure plan that was considered by the Committee at its s. 13.10 meeting last April. While each of these elements is summarized separately below, this background section is presented prior to those discussions and then, following the individual summaries of each of those elements, there is presented an overall review of some issues the Committee may wish to consider with regard to both the overall proposed use of \$1.175 million in oil overcharge funds for these pilots and the purposes of the individual proposed pilots.

### Low-Income Energy Assistance Pilots Background

JR  
intent

The Governor's 1996 oil overcharge plan ("Stripper XVII") was put forward in March of this year and considered by the Committee at its April 16, 1996, meeting under s. 13.10. That plan included a proposal for the allocation of \$1,000,000 of oil overcharge funds for a proposed low-income sustainable energy initiative. The proposal noted that federal funding for both the low income home energy assistance program (LIHEAP) as well as the low income weatherization assistance program (LIWAP) has been declining and is expected by many to continue to decline over the next several years. As a consequence, the DOA was directed by the Governor to "coordinate a thorough exploration of alternatives aimed at achieving a more sustainable low-income energy assistance funding strategy that will continue to meet the needs of Wisconsin as federal funding declines."

The proposal indicated that DOA had not had adequate time to develop a recommendation for the Governor. However, it was proposed at that time that \$1 million in oil overcharge funds be allocated towards this effort and that a plan for the exploration of such alternatives would be developed and the funds allocated would then be used to pilot the plan ideas. As a part of the proposal, it was requested that up to \$100,000 of the requested allocation be available for assistance in developing the plan including potential experimentation with preliminary plan concepts.

Because of concerns regarding what specific pilot activities would be undertaken and what the goals of such pilots would be, the Committee acted to place \$100,000 of oil overcharge funds in unallotted reserve to be used for costs in connection with the proposed planning process and to require that DOA submit a detailed proposal for the expenditure of these planning funds to the Committee under a s. 16.515 type review process before the Department could expend any of the planning funds. The remaining \$900,000 of oil overcharge funds were retained for future allocation.

Under the proposal presented to the Committee for consideration at its September 26, 1996, meeting under s. 13.10, it is proposed that \$100,000 previously allocated for planning for the pilots be deallocated and that then a total of \$1,175,000 of available oil overcharge funds be allocated to five specific low-income energy assistance pilots plus using a portion (\$100,000) of the funds for an outside evaluation of the pilots. Although the proposal includes a tentative allocation amount for each of the pilots and the cost of an outside evaluator, it is proposed that these amounts not be controlling and that a management committee that will be established by

DOA to oversee the operations of the pilots be given authority to reallocate funding from the project budgets of those projects that appear to be less successful to those that appear to be more successful, subject to the total requested allocation amount of \$1.175 million.

is this a good idea?

In developing the pilot proposals included in this "Stripper XVII" expenditure plan, the Wisconsin Energy Bureau (WEB) indicates that its selection process focused on finding pilot recommendations that would provide innovative approaches to comprehensive energy efficiency services, improve the efficiency of administering and delivering energy services to Wisconsin's low-income residents or increase non-governmental funding for these services. While a proposed pilot project could be considered for any selected area of Wisconsin, WEB reviewed each proposal for state-wide expansion potential and long-term funding components.

is this a good idea?

program  
jobs

According to WEB, the following common threads exist in all of the proposed pilots. First, each pilot will create and/or work with partnerships formed with organizations such as the utilities, community advocate groups and various county agencies. Second, each pilot will be run on the county level and last for up to two years. Third, the assistance offered through each pilot program will be available to those households with incomes under 150% of poverty. Lastly, all the pilots will be monitored by both a management team, which will meet periodically to review the pilots progress, and evaluated by an independent evaluation organization.

In May of 1996, WEB solicited from interested parties suggestions regarding ideas and partners for such pilot projects and received approximately 25 recommendations from different organizations throughout the state. From those 25 recommendations reviewed by WEB, five pilot concepts were included in WEB's final proposal to the Governor. WEB notes that the solicitation of letters of interest was not a formal RFP process but instead was the gathering of recommendations for pilots to assist WEB in developing pilot initiatives to present to the Governor.

why didn't applications include detailed budget + expenditure info?

how can DOA close 5 of 25 without that data?

In this regard, it is important to understand that at this point the only written material regarding the specific operations of each proposed pilot is that contained in the oil overcharge expenditure plan that has been submitted by the Governor. The general process expected to be followed in formally establishing and running these pilots is as follows. If the Committee acts to allocate the requested funds, DOA will submit the proposal for the planned use of these oil overcharge funds to the federal Department of Energy for review regarding the acceptability of using oil overcharge funds for these purposes. At the same time, DOA will begin negotiating contracts with each pilot manager (lead agency or organization) that will spell out in greater detail the proposed funding for each pilot and the specific elements of each proposed pilot.

backwards

The commencement of the pilots would then begin and DOA would begin providing oil overcharge funds to the contractor according to the contract. In addition, DOA plans to establish a management team composed of DOA energy staff and others to oversee the operation of the pilots. It is indicated that broad policy-setting and oversight will be the responsibility of this management team that will be led by DOA. This team's authority will include the ability to reallocate funds between projects and to modify the methodologies and strategies of each pilot

as the need arises. Further, the outside evaluator will meet with management team regularly as the evaluation of the pilots is being conducted to allow changes to be made to the pilots' program design and service delivery approaches. Thus, the pilots as described below and presumably even as outlined in the pilot contracts are envisioned as being subject to modification during the life of the pilots.

### Summary of Low Income Energy Assistance Pilots (Program Elements A thru F)

#### A. Conservation Based Energy Assistance Pilot Project

*how does this meet intent (p.6) of funding projects that maintain federal?*

The principal purpose of this pilot is to explore the benefits of providing a higher level of energy efficiency services to low-income households. The consideration involved here is that many of those low-income residents who are receiving LIHEAP grants, although eligible to also receive low-income weatherization services, do not participate in the weatherization program and thereby do not receive the potential benefits which would be expected to result from such weatherization efforts including a reduction in their home energy costs. The stated intent of this pilot is to provide an additional incentive to such households to participate in the low-income weatherization program. While the specific incentives to be offered are yet to be finalized, it is envisioned that some form of cash incentive might be offered.

*what?*

In addition, the weatherization services to be received by the pilot participants would be reviewed based on the type of housing involved and the house's energy efficiency status and the opportunity to broaden the extent of weatherization services provided (such as by including household rehabilitation efforts or providing assistance for households to relocate if their dwelling cannot be made energy efficient) would be pursued. While weatherization services for both LIHEAP recipients and other low-income households are usually funded by the weatherization program using federal weatherization funds plus an allocated portion of LIHEAP funds, under the pilot it is proposed that oil overcharge funds be used to provide the services. This is proposed because the current federal weatherization guidelines do not permit the imposition of loan requirements for such services and because there are also certain limitations on the types of services that can be provided.

*why weatherization?*

In this regard, it is envisioned that at least a portion of the weatherization services that are delivered under the pilot would be provided under a 0% interest loan arrangement with the homeowners or landlords with the loan repayments being used to provide additional funding for the weatherization program.

It is anticipated that a total of 80 households in Waushara County would participate in the pilot over the two-year pilot period.

Under the proposal, \$200,000 of oil overcharge funds would be initially allocated for this pilot. The tentative cost allocation among project components is shown in the table below.

**TABLE 3**

**Conservation Based Energy Assistance Project**

<u>Cost Component</u>	<u>Amount</u>
Staff Support and Program Delivery	\$80,000
Energy Efficiency Improvements	110,000
Administration	<u>10,000</u>
Total	\$200,000

*45% of funds spent on soft costs*

CAP Services Inc. in Stevens Point will be the contractor to lead this pilot. It is anticipated that CAP Services Inc. will operate the pilot in partnership with Wisconsin Power & Light Company, Wisconsin Gas Company and the Waushara County Department of Social Services.

**B. Homeowner Shared-Savings Weatherization Pilot Project**

The primary purpose of this pilot is to explore the benefits of providing additional low-income household energy weatherization services that are currently not provided under state weatherization programs using a shared-savings approach. The stated intent of the pilot is to provide comprehensive "whole house" energy efficiency services to low-income households including energy efficiency training for the occupants and to develop shared cost savings arrangements with participants (homeowners). This proposed pilot's use of the "whole house" approach to weatherization would allow for installation of cost efficient items such as refrigerators, windows and water heaters in addition to standard weatherization services offered under the state weatherization program.

Under this pilot, these services will be provided to selected households in the southwest and west central counties of Wisconsin (Polk, Barron, St. Croix, Dunn, Chippewa, Pierce, Pepin, Richland, Iowa, Grant and Lafayette Counties). TecMRKT Works of Oregon, a private consultant, will be the lead organization for this project. It is anticipated that TecMRKT Works will operate the pilot in partnership with two area community action agencies (CAAs): West Central CAA and Southwest Wisconsin CAP.

As currently indicated, this pilot will include the following components. Onsite energy audits would be used to determine what weatherization action is needed and which of those actions would be the most cost efficient. Each participant's utility bill would then be reviewed for savings potential and a payment plan for utility expenses established. Participants and the local CAAs will then enter into signed agreements reflecting the payment plans and the

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participant's agreement to live an energy efficient lifestyle consistent with the training. Upon completion of those preliminary procedures, the local agencies would then perform the energy efficiency improvements to the home.

It is anticipated that once the weatherization improvements, training of participants and shared-savings agreements are completed, the participant will pay the local CAA running this pilot his or her utility bill. Any savings realized will be deposited into a shared-savings account. Specifically how the shared-savings account will be allocated between homeowners and CAA's involved in this pilot is yet to be determined. However, it is anticipated that part of the costs incurred in performing the weatherization will be recovered by the local CAA through the shared-savings plan, thereby providing additional funds for this type of program.

Because federal guidelines do not allow certain "whole house" weatherization services or allow weatherization costs to be recovered through a shared-savings arrangement, it is proposed that oil overcharge funds be used to provide those services.

It is anticipated that a total of 30 households (homeowners) would participate in the pilot over the two-year pilot period.

*Sample too small to prove anything*

Under the proposal, \$200,000 of oil overcharge funds would be initially allocated for this pilot. The tentative cost allocation among project components is shown in the table below.

**TABLE 4**

**Homeowner Shared-Savings Weatherization Pilot**

<u>Cost Component</u>	<u>Amount</u>
Staff Support and Program Delivery	\$70,000
Energy Efficiency Improvements	110,000
Energy Education and Training	10,000
Administration	10,000
<b>Total</b>	<b>\$200,000</b>

*40% total*

**C. One-Stop-Shop for Energy and Housing Services Pilot Project**

The principal purpose of this pilot is to explore the benefits of streamlining and computerizing the application process for various low-income energy and housing programs including the LIHEAP and weatherization program and at the same time providing a more time

and cost effective and comprehensive assistance to applicants by helping them apply for all assistance programs for which they may be eligible.

In an effort to reduce the duplication services involved in the application process for low-income households seeking energy and housing assistance, this pilot will work to develop and implement a system in which the applicant will only need to stop at one place to apply for various energy and housing assistance programs. In addition, another principal focus of this pilot would be to inform applicants of energy and housing services available that the applicant may not have been aware existed.

Under this pilot, a computerized intake, application and referral process would be designed that would allow the applicant during a single visit with an intake worker to have his or her information and documentation entered into the computer system. Once in the system, the applicant's information would be screened for eligibility for the various low income energy and housing programs. The applicant's information would then be processed and transmitted to the appropriate agency and eligibility determined. The pilot system will be designed to transfer completed LIHEAP and weatherization program data directly to the state database in addition to transmitting the data to other appropriate agencies.

In order to run this pilot, the contractor will need to put together a software and computer system that includes a standardized application, document scanning and transmission capability and connections with agencies offering energy conservation assistance and the state's mainframe computer. The majority of the requested funding will be used to develop the computerized system, purchase equipment and train staff.

The Committee may wish to note that this pilot appears to be an expansion of another pilot currently in existence. Funding from the federal Department of Energy has been provided for a pilot one-stop shop concept involving energy and housing resources. Wisconsin Coulee Region CAP was also selected to pilot that program. A grant from separate EPAAct funds was provided to fund the existing pilot. Under the current proposal, the funding requested would expand upon the existing pilot and would include providing funding for computer technology and training to be incorporated into the one-stop shop concept.

Under the current proposal, \$275,000 of oil overcharge funds would be initially allocated for this pilot. The tentative cost allocation among project components is shown in the table below.

**TABLE 5**

**One-Stop-Shop for Energy & Housing Services Pilot**

<u>Cost Component</u>	<u>Amount</u>
Staff Support and Program Delivery	\$70,000
Computer Consulting, Training and Technical Support	70,000
Computer Software Development	70,000
Computer Hardware	50,000
Administration	<u>15,000</u>
Total	\$275,000

*Handwritten notes: 85, 180k, (30%)*

It is envisioned that this pilot will be run in two counties, La Crosse and Milwaukee Counties. Wisconsin Coulee Region Community Action Program (CAP) will lead the pilot. It is anticipated that Coulee Region CAP will coordinate the energy and housing services currently offered by 13 local organizations for the pilot in La Crosse County. In Milwaukee County, Coulee Region CAP will work with the Milwaukee County Department of Human Services (or other designated agency) to manage the pilot in that county.

**D. Milwaukee Energy Network Pilot Project**

The principal purpose of this pilot is to explore the benefits of providing comprehensive energy efficiency services on an intensive basis to low-income households. The pilot indicates that participants will receive counseling and assistance regarding establishing affordable plans for payment of their utility bills. The participants will also be required to receive training and education on energy efficiency concepts by attendance at a series of energy education workshops. In addition, assistance will also be provided to help set-up manageable utility payment plans and co-payment schedules.

The pilot will also provide grants to supplement weatherization funding for low-income households involved in rehabilitation programs. The pilot calls for the funds to be used to meet high energy efficiency standards in planned rehabilitation projects and to partially cover the differential costs of the energy efficiency upgrades. It is envisioned this funding will be used in conjunction with existing funding sources such as HUD, FHA, and utility low-income funds.

It is anticipated that up to 500 low-income households in Milwaukee County will participate in the pilot over the two-year pilot period. Community Advocates in the City of Milwaukee will be the contractor to lead this pilot.

*isn't this the utilities job?*

*what does this "pilot" intend to test?*



Under the proposal, \$200,000 of oil overcharge funds would be initially allocated for this pilot. The tentative cost allocation among project components is shown in the table below.

**TABLE 6**

**Milwaukee Energy Network Pilot**

<u>Cost Component</u>	<u>Amount</u>
Staff Support and Network Development	\$40,000
Rental Rehabilitation & Energy Efficiency Improvements	120,000
Energy Education	30,000
Administration	10,000
Total	\$200,000

25% of total cost

**E. Campaign to Keep Wisconsin Warm Pilot Project**

The principal purpose of this pilot is to assist low-income households experiencing an energy crisis in Dane County. Because of the decline in federal funding available to support low-income energy assistance programs, this pilot would also work to develop and implement innovative and alternative strategies to fund such programs without requiring the use of additional state tax funds. The pilot contractor will use oil overcharge funds, matched by private cash contributions solicited by the contractor, to assist low-income households experiencing an emergency energy crisis or requiring weatherization improvements.

The main component of this pilot involves providing direct assistance to eligible households in need. It is indicated that assistance would be targeted towards high risk households that are eligible for the existing LIHEAP and weatherization programs. The proposed pilot defines "high risk households" as those that contain elderly or disabled persons and/or children. The assistance would consist of heating crisis assistance and weatherization improvements.

It is anticipated that approximately 1,000 households will receive energy heating crisis assistance from the oil overcharge funds. In addition, it is expected that up to another 1,000 households could be served with the matching funds to be solicited by the pilot contractor.

In addition to providing direct benefits, the pilot contractor will work with the community, its organizations, businesses and individuals, to expand its ability to meet low-income energy assistance needs by obtaining new private contributions for this purpose. The pilot proposal states that oil overcharge funds will match each dollar of new private cash contributions

collected. It is envisioned that 5% of the funds requested will be used for administrative costs possibly to include raising additional funding.

Energy Services, Inc. of Madison will pilot this program in Dane County. Under the proposal, \$200,000 of oil overcharge funds would be initially allocated for this pilot. A further breakdown of the cost allocation among the project components is not currently available. A tentative cost allocation among project components is shown in the table below.

**TABLE 7**

**Campaign to Keep Wisconsin Warm Pilot Project**

<u>Cost Component</u>	<u>Amount</u>
Crisis Assistance and Weatherization Benefits	\$190,000
Administration	<u>10,000</u>
Total	\$200,000

**F. Evaluation of Low-Income Energy Assistance Pilot Projects**

This provision of the proposal provides for the establishment of a management team led by DOA to oversee the operation of the pilots and the engagement of the Energy Center of Wisconsin to conduct or subcontract an independent evaluation of the proposed pilots. Under the proposal, \$100,000 of oil overcharge funds would be initially allocated for the evaluation of the low-income energy assistance pilots.

As currently envisioned, the management team would consist of persons from the LIHEAP and weatherization programs, PSC, University, Energy Bureau and the evaluators, Energy Center of Wisconsin. The Energy Center's function in the management team would be to provide information to the team on the status of the pilots. It is anticipated that the team will meet monthly to review the progress of the various pilot projects. Pilot representatives may also be present at the meetings to provide insight into the progress of the various pilot projects.

Under this proposal, the management team would have the authority to modify the pilot programs and reallocate funds between the various pilots if the team determines adjustments or corrections are necessary. Another envisioned function of the team would be to monitor the planned evaluation of the various pilot programs. The outside contractor would conduct an evaluation of the pilots to: (1) document the benefits received and savings realized; (2) examine the statewide expansion potential; and (3) review the availability and effectiveness of continued long-term funding.

## Review of Pilots

Because final cost details and program elements are yet to be finalized for each of the pilots, it is difficult to fully evaluate the funding requested for each pilot or how the pilots will specifically operate. However, the following overall points are presented for the Committee's consideration in reviewing these proposed pilots.

1. **Budgets.** The specific expenditures to be made under each of the pilots is not currently available. In general, the amounts allocated to each project essentially represent a division of the total funds available for these pilots, although some breakdown of tentative costs has been provided. Further, as noted above, DOA has requested, as a part of the Governor's proposal, that the Department-led management team have the authority to adjust individual pilot budgets within the total funding allocated for the pilots.

Because these cost components are tentative and do not have any more details at this time as to the specific costs items (such as amounts for salaries, travel, office rent, contracted costs and direct cash assistance), it is difficult to fully evaluate the proposed costs. However, two general observations may be made regarding the cost components as presented.

First, examining the cost components of each pilot as they are described, one way that they might be viewed and compared is to further group those components into two general categories of what could be called program delivery costs and direct services costs. Placed in program delivery costs would be the cost components termed in one or more of the pilots as: (1) administration; (2) staff support and program delivery; (3) staff support and network development; (4) computer consulting, training and technical support; and (5) computer hardware purchase and computer software development. Placed in direct services costs would be the cost components termed in one or more of the pilots as: (1) energy efficiency and/or rental rehabilitation improvements; (2) energy education and training; and (3) crisis assistance and weatherization benefits. In addition, while not a part of any individual pilot, part of the total proposal includes an allocation of funds (\$100,000) to hire an outside consultant to evaluate each of the proposed five pilots.

\* Using this categorization shows the following: (1) for the total five pilots, overall, program delivery costs would comprise 47% (\$505,000) of the total \$1,075,000 to be allocated to the individual the LIHEAP pilots proposal and direct services costs would comprise 53% (\$570,000) of the total funds to be allocated; (2) individually, pilot program delivery costs would range from 5% of the total pilot cost for the Campaign to Keep Wisconsin Warm pilot to 100% of the total pilot cost for the One-Stop-Shop for Energy and Housing Services pilot.

A second observation that may be made is that the proposed number of households to be served under each of the pilots varies considerably (in one proposal - the one-stop-shop proposal - a calculation of households is not available). The varying nature of the individual proposals may account for some of these differences. However, for the four pilots that do have an estimated number of households that are expected to be served, if the total pilot cost is divided

by that number of households, a striking variation in cost per household served results, as shown in the table below.

**TABLE 8**

**Comparative Per Household-Served Pilot Cost**

<u>Pilot</u>	<u>Cost per Household to be Served</u>
Conservation Based Energy Assistance	\$2,500
Homeowner Shared-Savings Weatherization	6,700
One-Stop-Shop for Energy & Housing Services	Not Available
Milwaukee Energy Network	400
Campaign to Keep Wisconsin Warm	100

The Committee may wish to review whether it should have more information on the individual pilot budgets before the funds are actually expended. In this regard, an alternative that could be considered would be to require DOA to submit a detailed project budget for each pilot to the Committee for its review under a s. 16.515 type passive review process before funds are actually expended. Similarly, if the Committee believes that any increases or decreases in individual pilot budgets from the amounts initially approved should be subject to review by the Committee, it could delete from the proposal the delegation of authority to DOA to modify individual pilot total budget amounts and instead provide that DOA may request such changes from the Committee under a s. 16.515 type passive review process.

2. **Pilot Purposes.** A number of the pilots, as described in the proposed proposal presented to the Committee, appear to have essentially similar purposes or at least involve efforts aimed at the same concerns that exist regarding the operations of existing LIHEAP and/or weatherization programs. While when pilot details are finalized each pilot may be distinct from any other pilot, the question could be raised whether each pilot should focus on distinct alternatives for addressing the achievement of a more sustainable low-income energy assistance funding strategy and, if so, whether the final plan for each pilot will ensure this. If the Committee believes that this is a concern, it could consider requiring DOA to submit to the Committee, prior to releasing funds for expenditure by the pilots, a report detailing exactly what the objectives of each pilot are and, if two pilots involve similar activities, what different benefits are to be demonstrated by each pilot.

3. **Statewide Expansion.** A number of the pilots involve the use of oil overcharge funds to provide expanded or more intensive energy assistance services, particularly with regard to weatherization services. Even if the benefits of these expanded efforts are documented by the pilots, it is important to note that to change the current limitations of these federal programs would require federal action and thus be outside the direct ability of the Legislature to change.

Separate state supplemental programs could be created, but the only current readily available source of state funds for such supplemental programs would seem to be oil overcharge funds which are also declining. The Committee, therefore, may wish to consider the degree to which the use of \$1.175 million of oil overcharge funds for these proposed pilots will be of immediate help in addressing the declining levels of federal funding to the LIHEAP and weatherization programs.

\*  
Yes!  
Yes!  
\*

Federal funding for LIHEAP comes as a block grant from the federal Department of Health and Human Services (HHS). Federal funding for the weatherization program comes on a formula basis from the federal Department of Energy (DOE). In addition, by statute, Wisconsin allocates 15% of the LIHEAP federal block grant funding to the state weatherization program. The tables below show, for the last 10 years, the decline in the amount of the total block grant funding from the federal HHS for LIHEAP and the level of funding provided from the federal DOE for the state weatherization program.

**TABLE 9**

**Total LIHEAP Block Grant Funding  
Federal Fiscal Years (FFY) 1987 to 1996**

<u>FFY</u>	<u>Block Grant</u>
1986-87	\$65,083,000
1987-88	54,692,000
1988-89	49,393,000
1989-90	49,738,000
1990-91	50,521,000
1991-92	55,662,000
1992-93	47,170,900
1993-94	50,426,600
1994-95	46,005,200
1995-96	31,314,900

By state statute, 15% of these total block grant amounts were allocated each year to the state weatherization program. The totals above do not include funds received in certain federal fiscal years from the President's contingency funds for supplements to states experiencing extreme weather situations (these supplements totalled \$1.0 million in FFY 90, \$6.5 million in FFY 91, \$14.7 million in FFY 94, \$7.7 million in FFY 95 and \$6.4 million in FFY 96).

TABLE 10

**DOE Funding for State Weatherization Program  
Program Years 1987 to 1996**

<u>Program Year</u>	<u>Amount</u>
1987	\$6,370,000
1988	6,280,000
1989	6,350,000
1990	6,410,000
1991	7,680,000
1992	7,430,000
1993	7,450,000
1994	8,380,000
1995	8,100,000
1996	4,200,000

For "program years" 1987 to 1991, the program year was the same as the calendar year. Beginning in 1992, the program year was changed to run from April of one calendar year to March 31 of the next calendar year (for example, program year 1996 commenced April 1, 1995 and ended March 31, 1996).

An argument could be made that a more immediate direct impact on these programs could be obtained by reserving the funds to be used to provide, for example, an increased LIHEAP heating benefit in the next heating season. If the Committee wished to pursue this approach, it could -- as it has on previous occasions -- place some or all of the \$1.175 million in escrow for use as future LIHEAP supplemental funding.

4. **Individual Pilots.** As with any element of an oil overcharge plan, the Committee could also act to delete any individual low income energy assistance pilot project from the plan and either allocate those proposed funds to another purpose or retain the money as unallocated reserves.

**G. UW Building Conservation Program**

The Governor has proposed allocating \$40,000 FED of "Stripper XVII" funds to develop and pilot a "green" building conservation program on the UW-Madison campus. Funding for the project would derive from the deobligation of previously programmed oil overcharge funds. (This associated deobligation proposal is discussed below under "Amendment to Previous Plan to Expend Direct Restitution Amounts Received by the State.")

Under the proposal, the pilot project would be led by the Division of Facilities Development within DOA and conducted by the UW-Madison Division of Facilities Planning and Management, Department of Engineering and Professional Development, UW-Extension and the Institute for Environmental Studies. The Science Hall building on the Madison campus would serve as the site for the project. The following activities would be undertaken as part of the project:

- Collect and analyze baseline data for all materials such as water and trash entering and leaving the building.
- Establish communications with, and enlist the support of, building occupants.
- Develop a building conservation management plan and establish conservation goals for the building.
- Develop and demonstrate new practices and technologies to achieve the conservation goals for the building.
- Develop and implement methods of educating building occupants and encourage their participation in achieving resource conservation.
- Conduct an evaluation using both qualitative and quantitative data to determine the project's success.

According to the University, the project's duration would be two years and would include only the demonstration project at Science Hall. However, it is intended that the management practices and educational materials developed for the project be replicated for other campus buildings.

All  
Soft  
\$

Of the \$40,000 which would be allocated for the project, \$33,400 (84%) would pay the salary and fringe benefits for a graduate project assistant to work on the project (research, data collection and analysis, education and evaluation). The remaining \$6,600 would be used to pay for consultant fees, undergraduate interns and travel and conference expenses. It should be noted that none of the "Stripper XVII" funds would be used to purchase new technology or equipment for Science Hall; rather, it is intended that funding for such items would be provided through the capital budget process.

In considering this project, the Committee may wish to note that since the 1977-79 biennium, the authorized state building program has made funds available on an all-agencies basis to support energy conservation measures in state facilities. Since the 1981-83 biennium, \$118,000,000 has been made available for energy conservation projects. While these funds are used primarily to purchase equipment, they may also be used for planning purposes and for conducting on-site energy audits of state buildings.

The University indicates that an energy audit of Science Hall has already been conducted and that energy-conserving lighting would be installed once the proposed "green" building conservation project has begun. DOA and University staff indicate that the proposed project differs from the prior energy audit in that the project's primary focus would be to change the behavior of occupants to encourage more energy-efficient use of the building, whereas the purpose of the audit was to evaluate the building itself and determine appropriate equipment.

The proposed UW building conservation program represents an eligible use of oil overcharge funds. However, if the Committee does not wish to support funding for the project the funds could be reallocated to another program.

#### **H. Wind Resources Assessment Program**

The Governor has proposed allocating \$50,000 under the "Stripper XVII" expenditure plan to support a statewide wind data management and information dissemination system. Funding for this project would derive from the deobligation of an equivalent \$50,000 which was originally allocated under the "Stripper XIV" expenditure plan to support a portion of the costs of installing two prototype utility-scale low wind speed turbine machines. (This associated deobligation proposal is discussed below under "Amendment to the 'Stripper XIV' Allocation Plan.")

The proposed wind resources assessment program is an outgrowth of the Public Service Commission's recent Advance Plan 7 order. Provisions in that order directed the state's electric utilities to undertake a comprehensive wind speed monitoring program in the state to identify the most feasible potential wind resource sites. The Commission's order found that increasing the use of cost-effective wind power to generate electricity was in the public interest but that the lack of a systematic statewide wind resource assessment was a significant barrier to developing wind power projects. The Commission's order directed the state's electric utilities to develop an implementation schedule to install a minimum of 15 wind speed measurement sites in the areas of the state with the best wind energy potential. Measurement sites are to be operated for a minimum of three years to ensure that the data collected represents the long-term wind speed profile for each area.

The participating utilities anticipate selecting a consultant in September, 1996, to determine promising measurement sites in state, install the wind data measurement instruments, and collect hourly wind speed values at each measurement site. The utilities plan to report the data centrally to DOA where it will be available for distribution to the public. (Previous wind measurement data collection efforts have not been reported centrally to a public entity with the result that such data has been denied to interested parties on the basis that the data was proprietary information.)

A portion of the funding under the Governor's "Stripper XVII" allocation proposal (an estimated \$20,000) would be used to purchase the necessary software to enable the resulting wind speed data to be merged with existing databases (such as state topographical data and existing



electric utility power grid data) maintained in DOA's geographic information system. The balance of the proposed allocation (an estimated \$30,000) would be used to fund a portion of an existing Energy Bureau staff position for the three years during which wind measurement data is to be collected.

In the implementation plan developed by the electric utilities for the wind resource assessment program, it was initially anticipated that the first six months of wind measurement data would be made available to DOA by the end of the first quarter of 1997. Based on the current implementation plan timeline, it now appears that the first six months of data will not be provided to DOA for archiving until the end of the second quarter of 1997, and in any case a full year's data will not be available until the end of 1997 at the earliest. Given this timeline, it is unlikely that any meaningful wind energy siting analysis could be developed before a full year of data had been collected at each monitoring site.

Consequently, an argument could be advanced to defer the funding of this project for at least one year until such time as the first full twelve months of data would be available for analysis and dissemination. If the Committee determines that there are more pressing immediate uses for the \$50,000 which the Governor is proposing to allocate to the wind resource assessment program, it could delete the proposed allocation at this time and direct these funds to another program of the Committee's choosing. Such an action could be taken with the understanding that funding could be reconsidered for the wind resource assessment data management program under the next oil overcharge allocation proposal. However, if the Committee believes that this proposed project would help foster the development of an important renewable energy resource in the state and that the dissemination of useful wind data to the public should not be made subject to uncertainties concerning the future availability of oil overcharge funds, the Committee could act to fund the program at this time.

**I. Energy Program Management Costs**

The Governor has proposed allocating all accrued and future unallocated "Stripper XV" interest earnings (\$27,484 as of June 30, 1996) and all accrued and future "Stripper XVII" interest earnings (\$11,577 as of June 30, 1996) to support Energy Bureau administrative costs associated with the management and oversight of oil overcharge and energy efficiency programs.

Previously, the Committee has taken the following action relating to authorizing the allocation of oil overcharge interest monies for Energy Bureau administration and management activities:

<u>Date</u>	<u>Nature of Allocation Action</u>
December 12, 1988	All interest earnings accruing from "Stripper III" and "Stripper IV" allocations authorized to support oil overcharge management activities in DOA's Energy Bureau.
April 16, 1996	All interest earnings accruing from the "Stripper XVI" allocation authorized to support oil overcharge management activities in DOA's Energy Bureau.

Under these earlier allocation actions, approximately \$895,500 in interest earnings has been made available to support oil overcharge management activities in the Energy Bureau from the 1988-89 fiscal year through the 1996-97 fiscal year. Currently, approximately \$86,500 remains available from these previous allocations.

Under current federal DOE procedures, up to 5% of a state's oil overcharge allocations may be used for the general administration and management of programs. Typical administrative and management costs are those relating to developing allocation plans, reporting annually to the federal DOE and to relevant federal courts on the use of previously allocated funds and tracking the expenditures of each program receiving funds. These types of activities are viewed as being distinct from specific administrative efforts directly linked to program delivery. Program delivery costs (such as awarding and administering grants or managing project activities) are typically funded by deductions from the total allocations made to a specific project.

The use of oil overcharge funds to support program management activities is an eligible use of such funds. The current interest earnings allocation proposals would program residual funding amounts, which in combination with available balances from earlier allocations, should provide program management funding into the next fiscal biennium. Given the Committee's past actions allocating "Stripper III, IV and XVI" interest earnings for this purpose, the Committee may wish to consider allocating the "Stripper XV and XVII" interest earnings for this purpose.

### **Amendments to Previously Approved Oil Overcharge Allocations**

The Governor's submission includes proposals for amendments to five approved oil overcharge expenditure plans. These proposed amendments are reviewed below.

**Amendment to the "Stripper VIII" Allocation Plan.** The Governor is requesting that \$72,000, representing the remaining balances of the Tribal Housing Weatherization Program, originally allocated as part of the "Stripper VIII" expenditure plan be deobligated and reprogrammed as part of the "Stripper XVII" proposal.

This program was originally funded in December, 1990, at \$95,000. The Wisconsin Conservation Corps (WCC) was contracted to provide the weatherization services, but because

of such factors as the relatively modest size of the program in comparison to available CAP agency weatherization projects and somewhat less generous matching requirements, the program was never widely utilized. On May 3, 1996, the WCC Board acted to terminate the program effective June 30, 1996, and return the unused program balances (\$72,665.19) to DOA. The Governor is now proposing the deobligation of \$72,000 of this residual balance and reprogramming these amounts for other low-income energy assistance initiatives as part of the "Stripper XVII" allocation.

Because the original Tribal Weatherization Program was not being fully utilized and since tribal weatherization needs were being met through other programs, the Committee may wish to approve the deobligation of these previously allocated "Stripper VIII" funds at this time. However, as a technical consideration, the Committee should deobligate the entire balance of \$72,665.19 so that no residual balance would remain in this program account.

**Amendment to the "Stripper XIV" Allocation Plan.** The Governor is requesting that the \$50,000 originally allocated to a Prototype Low Wind Speed Turbines Project as part of the "Stripper XIV" expenditure plan be deobligated and reprogrammed as part of the "Stripper XVII" proposal.

This program was originally funded in February 1994, at \$50,000. The funding was to be provided to Wisconsin Public Power, Inc. (WPPI), to support a portion of the cost of WPPI's share of a cooperative venture to install and monitor two utility-scale wind turbine machines. WPPI subsequently elected not to participate in this demonstration, and the earlier allocation has remained unused. The Governor is now proposing the deobligation of the \$50,000 allocated to this project and reprogramming these funds for the Wind Resources Assessment Project (Program Element I) as part of the "Stripper XVII" allocation.

Because the original Prototype Low Wind Speed Turbines Project was not pursued by the original grantee, the Committee may wish to approve the deobligation of these previously allocated "Stripper XIV" funds at this time.

**Amendment to the "Stripper XVI" Allocation Plan.** The Governor is requesting that the \$100,000 originally placed in unallotted reserve for a future low-income sustainable energy pilot project as part of the "Stripper XVI" expenditure plan be deobligated and reprogrammed as part of the "Stripper XVII" proposal. At the Committee's April 16, 1996, meeting under s. 13.10, the Committee approved as a part of the "Stripper XVI" expenditure plan the placing of \$100,000 of oil overcharge funds in unallotted reserve to be used in a planning process to develop a proposed plan that would include pilot projects such as those now presented for funding in "Stripper XVII." The \$100,000 that would be deobligated from the "Stripper XVI" plan would be reprogrammed as a part of the total \$1.175 million in proposed allocations to pilot projects under "Stripper XVII."

**Amendment to Previous Plan to Expend Direct Restitution Amounts Received by the State.** On December 18, 1990, the Joint Committee on Finance approved the allocation of

\$40,099 of oil overcharge restitution funds received by the state for its direct share of overcharges on fuel used by the state's fleet vehicles and on fuel oil used to heat state facilities. These funds were originally programmed for a State Capitol relamping project. The Governor is requesting that \$39,100 of these funds be deobligated and reprogrammed as part of the "Stripper XVII" proposal and used to support most of the \$40,000 cost associated with the UW Building Conservation Program (program element G).

The relamping of the State Capitol Building with more energy efficient fixtures was ultimately accomplished through the use of general obligation bond proceeds and, except for some preliminary lighting demonstration expenses, the state direct restitution funds were never used for this purpose. Because the original relamping project was completed with other funds, the Committee may wish to approve the deobligation at this time of these oil overcharge direct restitution funds. However, it may be noted that DOA's Energy Bureau has now indicated that it does not wish to earmark these funds specifically to the UW project. Since there are no limitations on how the state may use these direct restitution funds, DOA now requests that the allocation plan be silent with respect to where the deobligated funds would be used under the overall "Stripper XVII" allocation plan, thereby permitting the maximum flexibility in the use of these funds. Finally, as a technical consideration, the Committee should deobligate the entire balance of \$39,213.34 from the relamping project so that no residual balance would remain in this program account.

**Amendment to Previous Allocation of Exxon Oil Overcharge Restitution Funds.** On January 11, 1993, the Joint Committee on Finance approved the allocation of \$6,800,000 of remaining Exxon oil overcharge restitution funds for the LIHEAP program. The Governor is requesting that \$1,100,000 of these Exxon monies previously allocated be exchanged with an equivalent amount of "Stripper XVII" and deobligated funds in order to enhance the ability under LIHEAP to match federal funds.

As a result of the proposed exchange, the "Stripper XIV" funds could be used as a state match for federal LIHEAP funds. Under the terms of the federal court order governing the use of Exxon oil overcharge restitution funds, the Exxon funds retain their federal character and may not be used as state funds for the purpose of matching federal dollars. However, under the terms of the court orders governing the distribution of "Stripper" funds, there is no such limitation once the state receives the "Stripper" allocations, and these funds may be used to match additional federal dollars.

In order for the state to maximize the ability to match federal funds, the Committee may wish to approve an amendment to the January 11, 1993, allocation of Exxon oil overcharge restitution funds to exchange \$1,100,000 of these Exxon funds with an equivalent amount of "Stripper" funds. Further, the Committee may wish to direct DOA to report at the Committee's December, 1996, meeting under s. 13.10 of the statutes whether there are other unexpended, previously allocated Exxon funds which could be similarly exchanged with other unexpended "Stripper" funds in order to maximize the ability to match federal funds.

## ALTERNATIVES

1. Approve the "Stripper XVII" oil overcharge plan dated August 26, 1996, as proposed by the Governor to allocate for expenditure \$1,265,000 FED of oil overcharge restitution funds, plus certain additional interest earnings, derived from the following sources: (a) \$968,000 of currently available, unprogrammed oil overcharge restitution funds; (b) \$261,100 of previously allocated funds which would be deobligated from their original purposes under a previous direct allocation to the state and under previous "Stripper VIII, XIV and XVI" allocations and reprogrammed as part of this proposal; (c) \$35,900 of restitution funds received by the state as direct restitution for overcharges previously paid by state government agencies; and (d) the accrued and future unallocated "Stripper XV" interest and all accrued and future "Stripper XVII" interest. Further, approve the exchange of \$1,100,000 of previously allocated Exxon oil overcharge restitution funds for an equivalent amount of "Stripper XVII" funds for the LIHEAP program.

*Alternatively, approve the proposed expenditure plan as modified by one or more of the following changes:*

2. Include the following technical modifications: (a) with respect to the amendment to the previously approved "Stripper VIII" allocation plan relating to the deobligation of the Tribal Housing Weatherization Program, deobligate the entire balance remaining in the program (\$72,665.19) rather than the \$72,000 amount proposed by the Governor; (b) with respect to the deobligation of funds originally allocated for a State Capitol relamping project, deobligate the entire balance remaining in the program (\$39,213.34) rather than the \$39,100 amount proposed by the Governor and delete the language specifically earmarking the use of these funds to the UW Building Conservation Program (program element G); and (c) direct DOA to report at the Committee's December, 1996, meeting under s. 13.10 of the statutes whether there are other unexpended, previously allocated Exxon funds which could be exchanged with other unexpended "Stripper" funds in order to maximize the capture of federal funds.

3. With respect to the low-income sustainable energy pilot programs (program element A through F) either:

(a) Modify the proposal by adopting one or more of the following changes:

i. Require DOA to submit a detailed project budget for each pilot, based on the tentative contract for the pilot, to the Committee for review under a s. 16.515 type passive review process before any funds may be expended for a pilot.

ii. Delete the authority for the proposed DOA-led management team to change the total amount of the individual pilots' allocation and instead specify that DOA may request, under a s. 16.515 type review process, that the Committee approve any such needed changes.

iv admin. & staff costs (overhead) should not exceed 15%

iii Require DOA to submit a report to the Committee, prior to releasing funds for expenditure by the pilots, detailing the specific objectives to be obtained by each pilot and defining -- where two or more pilots involve similar activities -- what different benefits are to be demonstrated by each pilot. *subject to 16.515 passive review*

~~(b)~~ Delete the allocation of some or all of the funding proposed for the pilots and instead include a plan element to place those funds in escrow for use as additional funding for activities provided under LIHEAP including the heating assistance benefit, emergency furnace repair or replacement and crisis assistance [under this alternative, these funds could then be allocated under a subsequent oil overcharge plan to be submitted by the Governor].

4. With respect to the UW Building Conservation Program (program element G), delete the proposed allocation of \$40,000 of "Stripper XVII" funds to support a pilot "green" building conservation study project to be implemented at Science Hall on the UW-Madison campus [or allocate the funds to another program of the Committee's choosing.]

5. With respect to the Wind Resource Assessment Program (program element H), delete the proposed allocation of \$50,000 of "Stripper XVII" funds to support a statewide wind data management and information dissemination system [or allocate the funds to another program of the Committee's choosing.]

6. Deny allocation of "Stripper XVII" oil overcharge funds to one or more of the following program elements:

<u>Program Element</u>	<u>Governor's Allocation Proposal</u>
A. Conservation Based Energy Assistance Pilot Project	\$200,000
B. Homeowner Shared Savings Weatherization Pilot Project	200,000
C. One-Stop for Energy & Housing Services Pilot Project	275,000
D. Milwaukee Energy Network Pilot Project	200,000
E. Campaign to Keep Wisconsin Warm Pilot Project	200,000
F. Evaluation of the Low-Income Energy Assistance Pilot Projects	100,000
G. UW Building Conservation Program	40,000
H. Wind Resources Assessment Program	50,000
I. Energy Program Management Costs	<u>Interest</u> <sup>a</sup>
TOTAL	\$1,265,000

<sup>a</sup>Consisting of accrued and future unallocated "Stripper XV" interest earnings and all accrued and future "Stripper XVII" interest earnings.

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