

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\_pt74

➤ Record of Comm. Proceedings ... RCP

➤ \*\*

- XX. Department of Administration -- Roland Boeding, Director, Bureau of State Risk Management, Division of State Agency Services

Pursuant to s. 146.89, the department requests approval for participation in the Volunteer Health Care Provider Program of a joint application of the Donated Health Care Services, Inc., and the twelve medical professionals volunteering services through that agency. The department also requests prospective authority to approve new applications for medical professionals serving Donated Health Care Services, Inc., which meet the guidelines specified under s. 146.89(3)(a)2 and have been reviewed by the Department of Regulation and Licensing Medical Examining Board.

Governor's Recommendation

Approve the request.

**CORRESPONDENCE MEMORANDUM**STATE OF WISCONSIN  
Department of Administration

**Date:** April 10, 1996

**To:** Members, Joint Committee on Finance

**From:** James R. Klauser, Secretary  
Department of Administration

**Subject:** Section 13.10 Request from the Department of Administration for the Volunteer Health Care Provider Program.

**Request**

Pursuant to s. 146.89, the department requests approval for participation in the Volunteer Health Care Provider Program of a joint application of the Donated Health Care Services, Inc., and the twelve medical professionals volunteering services through that agency. The department also requests prospective authority to approve new applications for medical professionals serving Donated Health Care Services, Inc., which meet the guidelines specified under s. 146.89(3)(a)2 and have been reviewed by the Department of Regulation and Licensing Medical Examining Board.

**Background**

The Volunteer Health Care Provider Program was created under 1989 Wisconsin Act 209 to provide basic medical services for low-income individuals who are uninsured and do not receive benefits under government programs such as Medicare.

A volunteer health care provider is defined as an individual who is a licensed physician, dentist, registered nurse, practical nurse, nurse-midwife, optometrist, or certified physician's assistant and provides authorized services such as diagnostic tests, health education, information about available health care resources, office visits, patient advocacy, prescriptions and referrals to health care specialists. The individual provider may not receive income from the practice of their health care profession when providing services at a specified nonprofit agency.

To participate in the volunteer health care provider program, the health care providers must submit jointly with the nonprofit agency an application to the department of administration (DOA). Once DOA receives the application, it verifies the provider's license with the Department of Regulation and Licensing. DOA may approve an application submitted for the provision of services in Brown, Dane, Dodge, Fond du Lac, Kenosha, La Crosse, Milwaukee, Outagamie, Racine, Rock or Sheboygan county. However, for all other counties in the state, the application must first be approved by the Joint Committee on Finance (JCF) under the s. 13.10 process before DOA may approve it. Approval by DOA is valid for one year and may be renewed.

**Analysis**

Donated Health Care Services, Inc., is a nonprofit agency located in Washington County. The agency will begin clinic operation in late April 1996 pending approval of their application for participation in the volunteer health care provider program and confirmation of their nonprofit status from the Internal Revenue Service (IRS). The clinic will be located in St. Joseph's Community Hospital in West Bend with a possible second location being considered in Slinger, Wisconsin.

The joint application submitted is with the Donated Health Care Services, Inc. and twelve medical practitioners:

<b><u>Name</u></b>	<b><u>Profession</u></b>	<b><u>Specialty</u></b>
Albrecht, James E.	Physician	Family Practice
Benshoff, Richard D.	Physician	Family Practice
Busch, Barbara	Registered Nurse	
Hoffmann, Jeffrey J.	Physician	Internal Medicine
Hunsinger, Glenna A.	Nurse Practitioner	OB/Gyn
Josse, Peter C.	Physician	Psychiatry
Listwan, William J.	Physician	Internal Medicine
Park, Susan E.	Physician	Ophthalmology
Purcell, Randy L.	Physicians Assistant	
Reichel, Colleen J.	Physician	Pediatrics
Robinson, Nancy A.	Practical Nurse	Research Medicine
Rosenthal, Diane J.	Registered Nurse	

It is anticipated by Donated Health Care Services, Inc. that at least 20 more volunteers are expected to complete applications in the next month or so. Due to the timing of s. 13.10 meetings, DOA is requesting authority to approve any current applications as well as any additional applicants volunteering services through Donated Health Care Services, Inc. As with all applications, DOA will verify the provider's license with the Department of Regulation and Licensing prior to approving the applications and authorizing participation in the program.

In addition, there is pending legislation that would eliminate the dual application procedure by eliminating JCF approval under s. 13.10. The bill, AB 477, passed the Assembly on November 14, 1995, on a voice vote and also the Senate Committee on Health, Human Services and Aging by a vote of 7 to 0. AB 477 is awaiting review by the JCF. The bill would treat applicants from all counties equally under the volunteer health care provider program and also make the process less bureaucratic with fewer approvals.

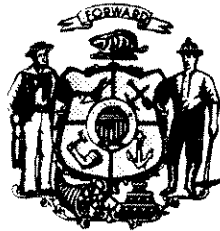
Members, Joint Committee on Finance  
April 10, 1996  
Page 3

**Recommendation**

Approve the request.

Prepared by: Pamela Henning  
267-0371

TOMMY G. THOMPSON  
GOVERNOR  
JAMES R. KLAUSER  
SECRETARY



XX

Mailing Address:  
Post Office Box 7869  
Madison, WI 53707-7869

Date: March 18, 1996

To: Senator Tim Weeden, Co-Chair  
Representative Ben Brancel, Co-Chair  
Joint Committee on Finance  
Room 119 South, Capitol

From: James R. Klauser, Secretary  
Department of Administration

Subject: Section 13.10 Request to Approve Applications Under the Volunteer Health Care Provider Program

REQUEST

Section 146.89 of the Wisconsin Statutes requires Joint Committee on Finance approval, under s.13.10, for certain applicants requesting participation in the Volunteer Health Care Provider Program. Specifically, this request is for approval of the joint application of the Donated Health Care Services Inc., a Washington County non-profit agency, and the following medical professionals volunteering services through that agency.

<u>Name</u>	<u>Profession</u>	<u>Specialty</u>
Albrecht, James E.	Physician	Family Practice
Benshoff, Richard D.	Physician	Family Practice
Busch, Barbara	Registered Nurse	
Hoffmann, Jeffrey J.	Physician	Internal Medicine
Hunsinger, Glenna A.	Nurse Practitioner	ObGyn
Joose, Peter C.	Physician	Psychiatry
Listwan, William J.	Physician	Internal Medicine
Park, Susan E.	Physician	Ophthalmology
Purcell, Randy L.	Physicians Assistant	
Reichel, Colleen J.	Physician	Pediatrics
Robinson, Nancy A.	Practical Nurse	Research Medicine
Rosenthal, Diane J.	Registered Nurse	

The department also requests prospective authority to approve new applications for medical professionals serving Donated Health Care Services which meet the guidelines specified under s.146.89(3)2 and have been reviewed by the Department of Regulation and Licensing - Medical Examining Board as provided under s146.89(2).

## BACKGROUND

The Volunteer Health Care Provider Program was created in 1989 (Act 206 - s.146.89) to provide basic medical services for low-income individuals who are uninsured and do not receive benefits under government programs such as Medicare. A "volunteer health care provider" is defined as an individual who is a licensed physician, dentist, registered nurse, practical nurse, nurse-midwife, optometrist, or certified physician's assistant. Statutorily authorized services include: diagnostic tests, health education, information about health care resources, office visits, patient advocacy, prescriptions, and referrals to health care specialists. In order to participate in the program, the individual provider must be approved by the state and receive no income from the practice of that health care profession or receive no income from the practice of that health care profession when providing services at a specified non-profit agency. Attachment A lists current participation by county and graphs program growth since the program's inception in 1989.

### Liability Coverage:

Section 146.89 (4) provides that volunteer health care providers are state agents of the Department of Health and Social Services. As such they are entitled to coverage under the following statutes:

- s.165.25(6) Right to representation in civil actions by the Attorney General at the request of the head of H&SS
- s. 893(82)(3) Claim against provider must be filed within 120 days of action causing injury
- s. 895.46 Judgments against provider to be paid by the state when acting within the scope of s.146.89

Thus far no claims have been filed against any provider participating in this program.

### Application Procedure:

To participate under this program, a potential volunteer health care provider and a non-profit agency submit a joint application to the Department of Administration, Bureau of State Risk Management. The Department of Administration then verifies the provider's license with the Department of Regulation & Licensing. After receiving license clearance, the department immediately approves applications from the following eleven counties: Brown, Dane, Dodge, Fond du Lac, Kenosha, La Crosse, Milwaukee, Outagamie, Racine, Rock and Sheboygan counties. For all other counties, s.146.89 requires the department to submit the list of applicants for approval to the Joint Committee on Finance under s.13.10. Annual renewals, including re-verification by Regulation and License, are required.

### Pending Legislation:

AB-477 would eliminate the dual application procedure described above by eliminating JFC approval under s.13.10. This bill was passed by the Assembly in November, 1995 and by the

Senator Tim Weeden, Co-Chair  
Representative Ben Brancel, Co-Chair  
March 18, 1996  
page 3

Senate Committee on Health, Human Services and Aging in January. It is currently waiting for review by JFC. This bill would treat applicants from all counties equally and encourage participation by speeding the approval process.

#### APPLICATIONS

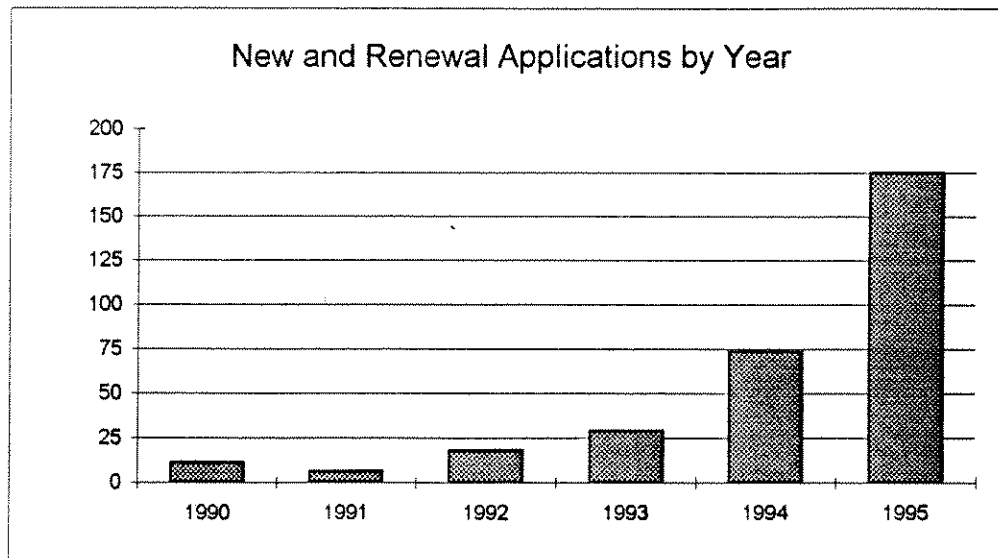
Donated Health Care Services Inc. is a non-profit agency located in Washington County. They anticipate beginning clinic operation in late April pending approval of their application for participation in this program and confirmation of their non-profit status from the IRS. The clinic will be located in quarters donated by the St. Joseph's Community Hospital in West Bend and a second location is being considered in Slinger, Wisconsin. This application includes the 12 medical practitioners identified above. However, the director indicates that at least 20 more volunteers are expected to complete applications in the next month or so. Consequently, because of the timing of s.13.10 meetings, the department is requesting approval for the current applicants as well as any additional applicants volunteering services through the clinic. As with all applicants, Regulation and Licensing license verification will be obtained prior to authorizing participation in the program.

cc: Rick Chandler, State Budget Director  
Bob Lang, Legislative Fiscal Bureau



**VOLUNTEER HEALTH CARE PROVIDER PROGRAM**  
Participation as of January, 1996

COUNTY	CLINICS	PHYSICIANS	NURSES	TOTAL
MILWAUKEE	BRADY EAST CLINIC	8	24	32
	GR. MILW. FREE CLINIC	2	0	2
	GUESTHOUSE	3	1	4
	ST. BEN'S CLINIC	0	1	1
RACINE	HEALTH CARE NETWORK	6	15	21
FOND DU LAC	WAUPUN MEM. HOSPITAL	1	1	2
OUTAGAMIE	SALVATION ARMY	6	5	11
DODGE	CHURCH HEALTH SERVICES	1	4	5
BROWN	NEW COMMUNITY CLINIC	3	7	10
LACROSSE	ST. CLARE HEALTH MISSION	24	37	61
	ST. JOSEPH'S HOSPITAL	1	0	1
ROCK	HEALTHNET OF JANESVILLE	12	4	16
	BELOIT HEALTH DEPT.	7	1	8
DANE	MADISON COM. HEALTH	1	0	1
<b>TOTALS</b>		<b>75</b>	<b>100</b>	<b>175</b>



16-0

Senator Weeden  
Representative Brancel

1996 OIL OVERCHARGE ALLOCATION PLAN ("STRIPPER XVI")

Reversion of Weyauwega Disaster Recovery Assistance Program Funds

Motion:

Move to modify the Governor's proposed allocation of \$100,000 of "Stripper XVI" funds for the Weyauwega disaster recovery assistance program (program element B) to provide that any funds allocated for this purpose which have not been encumbered for a specific grant by September 1, 1996, shall be placed in unallotted reserve for use as additional funding for low-income heating assistance benefits.

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Note:

Under this motion, any Weyauwega disaster recovery assistance program not awarded by September 1, 1996, would become available for future use for low-income heating assistance benefits.



## Legislative Fiscal Bureau

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

April 16, 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 XVI" Oil Overcharge Restitution Funds--Agenda Item XXI

### 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 schedule 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 March 18, 1996, the Committee received a letter from Governor Thompson containing a proposal dated March 16, 1996, to expend \$1,600,000 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 to be forwarded respectively to the Senate Committee on Environment and Energy 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 XVI" oil overcharge allocation proposal for consideration at the Committee's April 16, 1996, meeting under s. 13.10 of the statutes.

## BACKGROUND

The Governor's allocation proposal contains recommendations to approve for expenditure a total of \$1,600,000 FED of new oil overcharge restitution funds plus all interest accruing on this amount. [NOTE: Of the amounts subject to allocation under this current proposal, only about \$712,200 FED was actually in hand as of April 9, 1996. However, DOA has indicated that it anticipates that the balance of the funds to be allocated under "Stripper XVI" will have been received by the state prior to the time the Committee meets to act on the allocation proposal.] The Governor's proposal would also make program modifications to three projects which were originally authorized in previously approved oil overcharge expenditure plans (Stripper I, VIII and IX allocations). Under provisions of s. 14.065(5) of the statutes, any amendment to a previously approved plan 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.

The court order also requires that tribal governments and their citizens receive an appropriate and equitable share of the restitutionary benefits. Additionally, states may use up to 5% of the amounts received to defray the administration costs of the oil overcharge program.

To date, "stripper well" funds have been allocated on sixteen 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 direct 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	<u>539,500<sup>i</sup></u>
<b>TOTAL ALLOCATIONS</b>			<b>\$34,558,392</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.

## SUMMARY

The Governor's "Stripper XVI" allocation proposal for expenditure of \$1,600,000 FED of new oil overcharge restitution funds, including all interest accruing, is summarized in Table 2 below.

**TABLE 2**

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

<u>Program Element</u>	<u>Administering Agency</u>	<u>Governor's Proposal</u>
A. Low-Income Sustainable Energy Pilot Program	Administration (Energy)	\$1,000,000
B. Weyauwega Disaster Recovery Assistance	Administration (Energy)	100,000
C. Ethanol Refueling Infrastructure	National Ethanol Vehicle Coalition	25,000
D. Ethanol from Paper Mill Sludge	Administration (Energy)	70,000
E. Ethanol from Cheese Whey	Administration (Energy)	40,000
F. Switchgrass Production for Electricity and Ethanol	Administration (Energy)	15,000
G. Photovoltaics Feasibility Study	Administration (Energy & Facilities Development)	20,000
H. Home Energy Rating System and Energy Efficiency Financing	Administration (Energy)	125,000
I. Energy Education Grants	Administration (Energy) & UW-Madison	115,000
J. Environmental Monitoring of Energy Impacts	Administration (Energy) & DNR	50,000
K. Wisconsin Black Holocaust Museum	Administration (Energy)	40,000
L. Oil Overcharge and Energy Efficiency Programs Management Costs	Administration (Energy)	<u>Interest*</u>
	<b>TOTAL</b>	<b>\$1,600,000</b>

\*Consisting of all "Stripper XVI" interest earnings.

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

Amendment to the School Energy Bank Program Previously Approved under the "Stripper XI" Allocation Plan. The Governor is requesting a program modification to the previously approved "Stripper XI" allocation plan. Under the original "Stripper XI" plan, a school energy bank program was authorized as a demonstration project for schools in six Wisconsin counties. Under this program, schools in the six demonstration counties could receive technical assistance

grants and referrals to lenders for energy conservation improvements. The Governor's request is to expand the scope of the current program to make it available to schools throughout the state.

Consolidation of Two Home Energy Efficiency Financing Programs Previously Approved under the "Stripper I" and "Stripper VIII" Allocation Plans. The Governor is requesting the consolidation of two previously approved home energy efficiency financing programs and their associated residual funding amounts. Under this consolidation proposal, \$505,100 remaining from the home energy incentive program administered by the Wisconsin Housing and Economic Development Authority (WHEDA) would be transferred to the Department of Administration (DOA) to be made available for one-time rebates both to homeowners who increase the energy efficiency of an existing home and to buyers of newly constructed homes built to higher energy efficiency standards. An additional \$136,000 would remain with WHEDA for distribution on the remaining outstanding loans under the current program. Should any of these funds become available in the future, such funds would also be transferred to DOA. Up to 5% of the available funding transferred to DOA would be reserved by DOA for program administration. The new consolidated program would base the amount of the rebate on the home's energy efficiency, using the home energy rating system (as described below under program element G).

## ANALYSIS

**Status of Oil Overcharge Funds Actually Received.** As noted in the background section, as of April 9, 1996, only approximately \$710,000 FED of the total \$1,600,000 proposed by the Governor for allocation under "Stripper XVI" had actually been received. It has been indicated by DOA that they expect to have received the additional monies by the Committee's actual meeting on April 16, 1996. The Committee may wish to ensure that it receives confirmation that the funds are actually on deposit with state on that date and if not, to have DOA indicate the Governor's reduced funding preferences in the event that less the full \$1,600,000 is actually on deposit on April 16, 1996.

**Discussion of Specific Program Allocations.** Each of the "Stripper XVI" proposals is discussed in the following sections. The program element designations are those as listed in Table 2.

A. **Low-Income Sustainable Energy Pilot Program.** This proposal was generated in response to a directive to DOA from 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." According to DOA, two additional developments further contributed to the creation of this proposal:

(1) FFY 1996 budget proposals in Congress which included recommendations that funding for the low-income energy assistance program (LIEAP) be reduced significantly or eliminated altogether; and

(2) An order from the Public Service Commission as part of the Advance Plan 7 proceedings that energy utilities participate in a collaborative effort to determine the best way to implement an energy demand-side management (DSM) program for low-income customers. This effort would occur in coordination with the Energy Center of Wisconsin and would be directed at finding alternatives in the long term, that is, after the coming 1996-97 heating season.

The "Stripper XVI" request involves the proposed allocation of \$1,000,000 and includes three components which are described below.

Planning. The request indicates that DOA has not had sufficient time to develop comprehensive recommendations in response to the Governor's directive, although a study effort has begun. DOA's Energy Bureau proposes to involve utility companies, low-income advocacy groups, and state and local government and non-profit agencies in a comprehensive planning effort. This portion of the proposal would allocate up to \$100,000 for planning expenses, including possible costs for the hiring of consultants or the collecting of data in addition to certain minimal expenses of the planning committee itself. No detailed expense budget has been developed. DOA indicates that it would aim to have a plan completed by the fall of 1996, although no detailed timeline is indicated in the request.

Pilot programs. The specific pilot program components would be designed to demonstrate the feasibility of the plan generated above and, thus, have not yet been developed. However, DOA indicates that the components of the final plan could include such items as education, increased home weatherization and energy efficiency assistance, development of additional funding sources and the targeting of new funds to areas of greatest need. The majority of the funding under the request (\$1,000,000 less any amounts up to \$100,000 expended in planning) would then be used to directly support pilot projects. Possible approaches that might be recommended as a result of the planning effort are new home weatherization approaches, demonstrations in selected areas of the state or among selected populations, or the development of new funding sources for low-income energy assistance.

The Governor's proposal includes a request that the remaining funds (after allocation of the \$100,000 for planning costs) be placed in unallotted reserve and not be committed for expenditure until the Governor has submitted a detailed action plan to the Committee for approval under a s. 16.515 type review process.

Safety net. The Governor's proposal also includes a request that the DOA Secretary be given the unilateral authority to allocate up to \$300,000 of these unallotted funds to supplement existing appropriations for crisis heating assistance. Under the proposal, the DOA Secretary would be authorized to make this allocation if an acceptable plan is not available by the beginning of the 1996-97 heating season [October 1 to May 15].

Under the LIEAP program, states receive federal funds to provide grants to eligible low-income households to assist them in paying heating utility bills. The LIEAP funds are also used for energy crisis assistance, emergency furnace repair and replacement, home weatherization



services, and outreach efforts. As part of various congressional proposals to balance the federal budget, LIEAP has been recommended for funding reductions in the current and future federal fiscal years. Funding alternatives that have been discussed have ranged from proposals to eliminate funding for the program to proposals to continue funding at a slightly reduced level. For the current federal fiscal year (FFY 1996), LIEAP has been funded through a continuing resolution at a reduced level from FFY 1995 funding. For Wisconsin, this represented a reduction in funding for the 1995-96 heating season from \$46 million in FFY 1995 (not counting \$7.7 million in one-time emergency cooling funds last summer) to \$31.1 million in FFY 1996. Further, at this time, it is not known what level of funding for LIEAP will be approved for FFY 1997.

At its meeting under s. 13.10 of the statutes last October, the Committee addressed the reduction in FFY 1996 LIEAP funding by approving the carryover of \$5.4 million in unused FFY 1995 LIEAP funds for use in the 1995-96 heating season and also allocating an additional \$539,500 in unallocated oil overcharge funds for use in the 1995-96 heating season. With these modifications, a total of \$38.8 million was approved for heating assistance, crisis assistance, weatherization services and outreach for the 1995-96 heating season. Even with these additional revenue sources, the average heating assistance benefit was reduced from approximately \$300 in the 1994-95 heating season to about \$200 in the 1995-96 heating season.

This "Stripper XVI" proposal is intended to respond to the uncertainty over the future of federal energy assistance funding by undertaking a planning effort in coordination with existing efforts of other organizations to examine alternative funding sources and methods of assisting low-income households, and coordinating these efforts with a directive from the Public Service Commission that the utility industry determine the best way to implement a demand-side management program which takes into account the unique needs of low-income customers. [Demand-side management programs aim to reduce the need for energy by reducing demand through such efforts as energy conservation, peak load demand management, and substitution of more efficient, cheaper fuels.] However, DOA has indicated that, at this time, it is uncertain what agreement might be reached on alternatives for assisting low-income households by the members of the proposed planning committee, whether any such proposals would be acceptable to the Governor and Legislature and even whether an agreement will be able to be reached before the start of the next heating season.

Two general alternatives are available for the Committee's consideration.

If the Committee believes the overall proposal for a planning effort merits support, it may wish to approve the allocation of \$1,000,000 of "Stripper XVI" funds for the effort. In this case, the Committee could approve the recommended allocation as submitted. Alternatively, the Committee could approve the allocation, but with the following modifications.

First, the Committee could specify a timeline for the planning process, by requiring that the proposed planning committee recommendations be submitted to the Committee by November 1, 1996, to ensure that the Committee has adequate time to review the proposal for

implementation early in the 1996-97 heating season. Second, the Committee could require that before any of the \$100,000 in planning funds are released, a specific expenditure plan be submitted to the Committee for review under a s. 16.515 type passive review process. Third, the Committee could modify that portion of the proposal which pertains to the possibility that the proposed planning committee might not reach an agreed-upon recommendation. Under the proposal as submitted, the Secretary of DOA would be authorized, in this event, to release up to \$300,000 for crisis heating assistance in the 1996-97 heating season. The Committee could instead specify that if no agreed upon plan is submitted to the Committee by the November 1, 1996, reporting date, DOA would be required to submit a request to the Committee under a s. 16.515 type review process for expenditure of the unallotted oil overcharge monies.

If the Committee believes that the "Stripper XVI" proposal does not merit funding support at this time, it could instead place the \$1,000,000 in unallotted reserve to be used for heating benefits in the 1996-97 heating season. These funds could then be provided as a supplement to any LIEAP funds the state receives next federal fiscal year as well as any oil overcharge or LIEAP funds which remain unexpended from the 1995-96 heating season. Based on an estimated 115,000 households expected to have received benefits in the 1995-96 heating season, the additional \$1,000,000 would increase the average household benefit by \$8.70 (the 1995-96 estimated average household benefit is \$202). Or, the Committee could simply decide not to allocate these monies at this time, leaving them available for allocation at a future date.

**B. Weyauwega Disaster Recovery Assistance.** The Governor has proposed allocating \$100,000 of "Stripper XVI" funds to assist the economic recovery process in the City of Weyauwega, site of a recent railroad derailment and ensuing fire. This program would be administered by DOA's Energy Bureau and would operate in coordination with the management of overall recovery assistance efforts by the Department of Military Affairs' Division of Emergency Government.

Under the program, funding would be earmarked to provide incentives for Weyauwega residents to install high efficiency appliances and furnaces, make weatherization-related repairs and improve the energy conservation features of residences and businesses. All such efforts would be undertaken with a goal of increasing the level of economic activity in the community, thereby speeding the community's overall recovery from the recent disaster.

DOA's Energy Bureau anticipates that the additional funding would actually be made available to community residents by supplementing a variety of existing energy conservation programs which have been funded under previous oil overcharge allocations. These programs include, but would not be limited to, the following: (1) the middle-income residential energy conservation program (funded by "Stripper I"); (2) the institutional conservation (schools and hospitals) program (funded by "Stripper I & II"); (3) the nursing home energy efficiency program (funded by "Stripper II & XIV"); (4) the child care facility energy efficiency program (funded by "Stripper VII & XIV"); (5) the renewable energy assistance program (funded by "Stripper VIII"); (6) the rental energy rehabilitation program (funded by "Stripper VIII"); (7) the

weatherization and furnace repair programs (funded by Exxon and "Stripper XII & XIV"); and (8) the small business energy fund (funded by "Stripper XIV").

The proposal also includes authorization for the Energy Bureau to use that up to 5% of the total allocation for program delivery costs, primarily publicizing the availability of the new funds and providing technical assistance in the preparation of applications.

Although not a typical proposal for oil overcharge funds, there is some precedent for the earmarking of oil overcharge funds specifically to a single Wisconsin community to support a variety of energy conservation activities. "Stripper III" funds were allocated by act of the Legislature (1987 Wisconsin Act 399) to support community-wide energy conservation efforts specifically in Mauston and in Iola as part of a community energy conservation demonstration program undertaken by the UW-Extension. Further, prior to the formalization of the oil overcharge approval process in 1985, funding had also been provided specifically to Soldiers Grove for a variety of renewable energy-related installations in that community.

While allocations have previously been made for energy conservation projects in single Wisconsin communities, the Committee should note that unobligated balances totalling well in excess of the \$100,000 requested under the "Stripper XVI" proposal remain in the all of the programs identified above. Thus, it would appear that \$100,000 of funding assistance could be directed to Weyauwega residents from currently available resources, if the Committee specifically authorized DOA's Energy Bureau to earmark a portion of the current balances in those programs for this purpose. If the Committee adopts this alternative, the \$100,000 originally proposed in the Governor's "Stripper XVI" plan could be retained in unallotted reserve or redirected to another program of the Committee's choosing. However, if the Committee believes: (1) that available balances in these current programs should not be redirected in this manner but should continue to be available as originally allocated; and (2) that additional assistance for Weyauwega residents should be provided through earmarking a supplementation to the current balances in these programs, it could act to approve the Governor's request to allocate \$100,000 of "Stripper XVI" funds for this purpose.

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**C. Ethanol Refueling Infrastructure.** The Governor has proposed allocating \$25,000 of "Stripper XVI" funds as part of a \$114,000 joint effort by public and private sector partners to establish ethanol refueling sites throughout the Midwest, including four refueling sites in Wisconsin. The funds would actually be provided to the National Ethanol Vehicle Coalition and the Wisconsin Corn Growers Association, which, together, would be responsible for overall program coordination, marketing efforts and technical assistance.

Under this initiative, Wisconsin is one of 14 midwestern states working with the federal DOE, the Council of Great Lakes Governors and various state corn growers associations to develop a network of refueling station capable of providing motor fuel blends containing 70% to 85% ethanol. Currently, the federal General Services Administration and various state and local governments are ready to begin operating motor vehicle fleets capable of using the enriched ethanol fuels, provided an adequate refueling infrastructure can be put in place. The federal DOE

has provided over \$1.3 million in federal matching funds to support a three-phase refueling station development program throughout the 14 state area. Currently, 12 refueling stations have already been built, another 37 will be built during the 1996 calendar year and eight more stations will be added during the 1997 calendar year. Once this network is in place, enriched ethanol blends will be available in virtually all of the major metropolitan areas of the Midwest and long distance intercity travel will be possible for motor vehicles using the enriched ethanol blends. It is also hoped that the development of a refueling infrastructure will encourage businesses and private citizens to consider purchasing vehicles fueled with high grade ethanol blends.

The proposed \$25,000 "Stripper XVI" allocation is expected be matched by \$89,000 from other public and private sources for a total budget of \$114,000. It is anticipated that the \$89,000 would derive from: service station operators, motor vehicle retailers and ethanol equipment manufacturers (\$45,000), the U. S. DOE (\$19,000), economic development funds from other public sources (\$15,000) and a grant from the federally funded Great Lakes Biomass Program (\$10,000). These funds would be used to establish ethanol refueling stations in the Milwaukee/Racine area, Madison, Green Bay and Stevens Point. Funds would be used to: (1) solicit retailers for participation in the program; (2) cover the costs of storage tanks, piping and pumping systems and their installation; and (3) marketing efforts once the stations came on line. Initially, the funds provided to operators for the purchase and installation of equipment would be deemed a loan; however, if the station operators continued to participate in the ethanol refueling program over a period of time (probably five years), the loan would gradually be forgiven over that period. Operators leaving the program early would be required to repay a prorated portion of the original loan.

The Committee has acted on four occasions in the past ("Stripper VIII, XI, XII and XIV") to increase the availability of nongasoline motor fuels by funding alternative fuels projects for local government motor pools. Based on both the Committee's previous support for these alternative fuel projects and the potential importance to state's agricultural economy of developing a demand for ethanol-based fuels, the Committee may wish to approve the Governor's proposal to provide \$25,000 of "Stripper XVI" funds for the ethanol refueling infrastructure project.

**D. Ethanol from Paper Mill Sludge.** The Governor has proposed allocating \$70,000 of "Stripper XVI" funds for use by DOA's Energy Bureau to evaluate the potential for producing ethanol from paper mill sludge. This project would build upon research efforts currently underway at the University of Wisconsin-Stevens Point campus relating to the production of ethanol from waste materials. The new funding would be used as part of a proposed \$360,000 joint effort by public and private sector entities to undertake economic and technical feasibility studies of this concept and to construct a pilot scale ethanol production plant. The Energy Bureau indicates that the "Stripper XVI" funds would be used to maximize the likelihood of the success of the project. Possible uses of the funds include the retention of technical and engineering consultants or the providing of additional support to other partners in the project.

Previously, the Committee has made the following oil overcharge allocations for ethanol related research at the UW-Stevens Point relating to its ethanol from waste products program:

<u>Date</u>	<u>Nature of Allocation Action</u>
December 15, 1992	\$150,000 of "Stripper XII" funds allocated to the ethanol from waste program at UW-Stevens Point.
February 2, 1994	\$120,000 of "Stripper XIV" funds allocated to continue the second phase of the ethanol from waste program at UW-Stevens Point.

The first phase of the ethanol from waste project resulted in the development of an inventory of various type of potential Wisconsin-produced natural resources and agriculture-based feedstocks which are feasible for supporting commercial ethanol production in the state. The second phase of the project has involved reviewing the ethanol production potential of 14 major Wisconsin paper mills.

The current proposal is an outgrowth of these earlier research efforts. The proposal would involve a joint undertaking by public and private parties to establish a pilot scale ethanol production facility in the state which would use paper mill sludge as the feedstock for the ethanol fermentation process. In the narrative materials developed for this project, it is indicated that the successful utilization of paper mill sludge for the production of ethanol could have an important impact on reducing the amount of undesirable waste produced by paper mills and could also lower the overall disposal costs currently associated with the sludge.

As part of the research activities funded from previous oil overcharge allocations, UW-Stevens Point scientists have identified four Wisconsin paper mills which merit further evaluation for possible participation in the proposed demonstration project. One or more of these paper mills would be selected for the pilot project. Under the project, a number of preliminary steps must be undertaken before a pilot plant could actually be constructed. These preliminary activities include specific company and site negotiations, confirmation of the economic and technical feasibility of the pilot plant, preparation of the necessary environmental impact statements and the development of business and work plans resulting from the diversion of plant wastes for new purposes. Following these preliminary activities, a pilot plant must be designed and engineered, bid documents circulated and a vendor selected. It is anticipated that the preliminary phases of the project would extend over an 18 month period, with an additional six months required to select a construction contractor, and two years required for plant construction and the securing of final permits. The Energy Bureau in DOA anticipates that considerable technical consulting work may be required during the preliminary and construction phases of the project. After construction, an additional six months to one year would likely be required for operational and engineering shakedown due to the relatively untested nature of the new process. Thus, under this timetable, four or five years will elapse before there is any ethanol production from the new facility.

It is anticipated that the participants in this project and the estimated project budget would be as follows:

**TABLE 3**

**Ethanol from Paper Mill Sludge Proposed Budget**

<u>Participants</u>	<u>Proposed Contribution</u>
Wisconsin paper mills	\$100,000
National Renewable Energy Laboratory	60,000
UW-Stevens Point [remaining "Stripper XIV" funds]	60,000
Great Lakes Biomass Program	35,000
Green Bay Energy Corporation	25,000
USDA Forest Products Laboratory	10,000
"Stripper XVI" funds	<u>70,000</u>
<b>TOTAL</b>	<b>\$360,000</b>

Under this proposed budget, one or more paper mills will be asked to make direct or in-kind contributions of up to \$100,000 for feasibility studies, technical assistance and design of the pilot plant. The National Renewable Energy Laboratory has specific technical expertise in fermenting different types of waste products into ethanol. It is anticipated that the Laboratory's mostly in-kind contributions of \$60,000 to the project would be in the form of testing various samples of paper mill sludge in a pilot plant operated by the Laboratory. UW-Stevens Point would commit \$60,000 of remaining "Stripper XIV" funds from the second phase of the ethanol from waste products project. (At the time these funds were originally allocated to UW-Stevens Point in February 1994, the University indicated that if it did not receive sufficient additional outside contributions for waste to energy research, up to \$66,200 contained in the overall allocation might not be used.) The effect of the Committee's approval of the current proposal would be to reallocate \$60,000 of "Stripper XIV" funds to activities related to this new paper mill sludge demonstration project.

The Great Lakes Biomass Program is expected to contract with the Michigan Biotech Institute to undertake fermentation, economic feasibility and site selection studies for ethanol projects in the Great Lakes region and would provide in-kind contributions estimated at \$35,000 by making the Institute's services available to the paper mill sludge project. The Green Bay Energy Corporation has pledged \$25,000 to the project and has an option on a potential pilot plant site in Green Bay along the Fox River. The USDA Forest Products Laboratory in Madison would make an in-kind contribution estimated at \$10,000 by providing expertise in the areas of fermentation, bioengineering and wood products characterization. The specific \$70,000 of "Stripper XVI" funds would be used by the Energy Bureau for such activities as the retention of

technical and engineering consultants or the providing of additional support to other partners in the project.

The ultimate success of this project will depend on such factors as whether or not one or more Wisconsin paper mills decides to participate and whether or not there are favorable results from the preliminary technical and economic feasibility studies. If no paper mills choose to participate in the project or if the feasibility studies are largely unsatisfactory, there is doubt whether the project could proceed further. Consequently, the Committee may wish to consider placing the \$70,000 of "Stripper XVI" funds in unallotted reserve for future release by the Committee under a s. 16.515 type passive review process once DOA advises that: (1) one or more paper mills has elected to participate in the project; and (2) the initial feasibility studies suggest a reasonable likelihood of the project's success. It may be noted that there would still be sufficient redirected oil overcharge funds and in-kind contributions available to the project to allow it to go forward pending the determinations of whether any paper mills will participate and whether the initial feasibility studies indicate merit in committing additional funds to the project.

**E. Ethanol from Cheese Whey.** The Governor has proposed allocating \$40,000 of "Stripper XVI" funds to modify an ethanol production plant currently under construction in order to demonstrate the feasibility using cheese whey in the production process.

Currently, Farm Technology USA, Inc., a firm specializing in the construction of smaller, single farm-sized ethanol production facilities, is constructing such a plant on a farm near Spring Green. The plant is expected to be operational by June 1, 1996, and will use corn as the primary material in the fermentation process. The post-processing wastes will also be used as a livestock feed on the farm.

Under the Governor's proposal, a demonstration project would be undertaken to use cheese whey instead of water in the fermentation process. It is anticipated that this alternative process could significantly increase the economic viability of the plant by using a locally available waste resource. Current estimates are that overall ethanol production costs could be reduced by 10% to 30% as a result of using cheese whey. To implement the demonstration project, \$20,000 of "Stripper XVI" funds would be used to purchase additional equipment (tanks, pumps, agitators and necessary supplies) to be incorporated into the new facility. An additional \$20,000 of "Stripper XVI" funds would be used for the actual installation costs and for economic and technical evaluations of the project. The supporting materials associated with this proposal also indicate expected in-kind contributions of \$1,000,000 from Farm Technology USA, Inc., and from the farm operator. These figures represent the estimated costs of constructing the facility and placing it into operation. However, these costs will be incurred regardless of whether or not the cheese whey demonstration project is approved.

Because Wisconsin imports over 95% of the energy consumed within its borders, DOA's Energy Bureau believes that it is desirable to have programs which emphasize the development of renewable energy resources, particularly where potentially harmful waste products can be used in the energy production process. Given the Committee's past support for renewable energy

projects, the Committee may wish to consider allocating the "Stripper XVI" funds for this purpose.

F. **Switchgrass Production for Electricity and Ethanol.** The Governor has proposed allocating \$15,000 of "Stripper XVI" funds to DOA's Energy Bureau as part of a \$57,625 joint effort of public and private sector partners to establish a switchgrass feasibility study. Switchgrass is a native Wisconsin crop which produces high yields per acre. This proposed allocation would provide partial matching funds for a demonstration project supported by a grant to DOA's Energy Bureau from the Great Lakes Biomass Program.

The purpose of the demonstration project would be to determine the feasibility of using switchgrass both as a boiler fuel for electricity generation and as a low-cost feedstock in the production of ethanol. Currently, Madison Gas & Electric has been experimenting with switchgrass as a boiler fuel.

It is anticipated that the participants in this project and the estimated project budget would be as follows:

**TABLE 4**

**Switchgrass Demonstration Project Proposed Budget**

<u>Participants</u>	<u>Proposed Contribution</u>
Great Lakes Biomass Program	\$28,813
ReCon Associates (consultants)	6,500
Prairie Nursery, Inc.	3,000
Kinney & Urban, S. C.	3,500
Green Bay Energy Corporation	812
"Stripper XVI" funds	<u>15,000</u>
<b>TOTAL</b>	<b>\$57,625</b>

Under the proposed budget, a \$28,813 demonstration grant received from the Great Lakes Biomass Program will be matched by the proposed "Stripper XVI" allocation and by in-kind contributions from a variety of other participants. These include Prairie Nursery, Inc., which will provide the acreage for the demonstration and Power Grass Purveyors, which will provide the seeds the project. In addition, ReCon Associates will provide economic and agronomic feasibility studies, an analysis of crop yields for the project and an examination of whether or not existing alfalfa harvesting equipment can be used in the production of switchgrass. Finally, Kinney & Urban, S. C., will explore certain legal issues relating to whether or not a producer may grow switchgrass for production and continue to qualify for any federal conservation subsidies. The



funding provided to DOA's Energy Bureau will be used for program delivery costs by the Bureau.

Because this proposed project would explore the development of a potential renewable energy resource and since half the funding has already been provided through a grant from the Great Lakes Biomass Program, the Committee may wish to consider allocating the "Stripper XVI" funds for this purpose.

**G. Photovoltaics Feasibility Study.** The Governor has proposed allocating \$20,000 of "Stripper XVI" funds, as part of a project with an overall budget of \$50,000, to enable DOA's Energy Bureau to study the feasibility of installing photovoltaic systems at various state facilities. Photovoltaic cells consist of layers of silicon and other materials that convert solar energy directly into electricity.

The proposed study would assess the feasibility of photovoltaic installations at two types of state properties. For state facilities already connected into existing electric utility distribution systems, the study will focus on whether or not the use of photovoltaics could either help reduce the need for utilities to activate peak load generating facilities during periods of high demand or could help forestall the demand for construction additional generating or distribution facilities. If such usage or cost avoidance linkages could be shown, they might help offset the relatively high cost of photovoltaic applications. For state facilities not connected to electric utility distribution grids (such as highway signs, traffic counting devices, and remote DNR camping and recreational facilities), the study would evaluate the cost effectiveness of installing photovoltaic units at those sites.

The Energy Bureau has entered into a memorandum of understanding with the National Renewable Energy Laboratory to participate in a 12-state demonstration of photovoltaic applications. The Bureau will receive \$25,000 from the Laboratory for this purpose and further has received a commitment of \$5,000 from Wisconsin Public Service Corporation in conjunction with a possible photovoltaic demonstration project at the Green Bay state office building.

These funds, along with the "Stripper XVI" allocation, would be used to evaluate the best photovoltaic applications for near-term installation on state facilities. The Energy Bureau indicates that it would work closely with DOA's Division of Facilities Development in this evaluation process. Most of the funding provided by the National Renewable Energy Laboratory and through the "Stripper XVI" allocation would be used to fund a staff position that the Energy Bureau would dedicate to this study effort. The Bureau has also indicated that some limited equipment purchases might also be made from the funds budgeted to the project.

Because this proposed project would examine the potential benefits of a renewable energy resource which has seen few feasibility studies to date and since half the necessary funding has already been provided through a grant from the National Renewable Energy Laboratory, the Committee may wish to consider allocating the "Stripper XVI" funds for this purpose.

**H. Home Energy Rating System and Energy Efficiency Financing.** The Governor has proposed allocating \$125,000 of "Stripper XVI" funds as part of an estimated \$1.3 million project to continue a home energy rating system (HERS) and energy efficiency financing effort which has been funded initially as a pilot program by the U. S. Environmental Protection Agency. Under this pilot program, the Energy Bureau has contracted with a CAP weatherization operator to train energy raters in Dane, Columbia and Iowa counties to test housing units for their overall energy performance. This program would be expanded statewide under the Governor's proposal.

Energy raters trained by the program are able to assess the energy performance of a dwelling by conducting a "blower door test." This test acts to depressurize the dwelling and, by utilizing national standards, allows a determination of the rate of natural air infiltration into the unit. This type of air leakage is deemed to be the most significant variable in the energy efficiency of a Wisconsin dwelling.

With energy rating in hand for houses on the real estate market, a home buyer may be able to qualify for a home that is \$2,000 to \$8,000 more expensive because the resulting higher principal and interest costs would be offset by expected lower monthly energy charges for an energy efficient unit. Similarly, for a home with an unfavorable energy efficiency rating, the buyer could roll the costs of needed energy efficiency improvements into the costs of the mortgage. The higher mortgage costs, in turn, would be offset by future reduced monthly energy charges.

The ultimate success of the program will also be dependent on realtors, appraisers and housing lenders being aware of the connection between potentially higher lending costs and offsetting energy charges. Consequently, a focus of the project will be to train lenders and realtors to recognize the importance of energy improvement mortgages in lending considerations. Once the program is operational statewide, it is anticipated that approximately 500 to 750 homeowners might receive energy improvement mortgages annually.

It is estimated that the participants in this project and the anticipated fiscal impact of the project would be as follows:

**TABLE 5**

**Home Energy Rating System and Energy Efficiency Financing Project Budget**

<u>Participants</u>	<u>Proposed Contribution</u>
Homeowner "in-kind contributions from improvements"	\$1,000,000
EPA residual pilot project funds	49,225
Energy Center of Wisconsin	60,000
CAP weatherization agencies in-kind contributions	40,000
Madison Gas & Electric	20,000
"Stripper XVI" funds	<u>125,000</u>
 TOTAL	 \$1,294,225

It should be noted that "homeowner improvements" should not be viewed as a part of the overall project budget. Rather they represent the possible economic benefit of energy conservation modifications which result from the operation of the program. There is no requirement that homeowners make any energy conservation improvements as part of this program. Any such improvements would be optional; however, if the program operates as intended, there should be an incentive for home buyers to make improvements since the costs of the improvements could be offset by energy savings. A projected figure of \$1,000,000 in improvements annually would translate into expenditures of approximately \$2,000 per dwelling based 500 units being modified as part of an energy efficiency financing package.

The \$49,225 from the Environmental Protection Agency represents the remaining balances from EPA's original \$100,000 grant to DOA. These balances would be committed to the expanded statewide program. The Energy Center of Wisconsin (formerly the Wisconsin Center for Demand-Side Research, which was initially funded, in part, with Diamond Shamrock oil overcharge allocations) has committed \$60,000 in the 1996-97 fiscal year in support of expanding the home energy rating/energy efficiency financing project. The CAP weatherization agency in-kind contributions are the estimated value of such contributions (primarily administrative and oversight) which would be required of these contractors. Madison Gas & Electric is expected to commit \$20,000 to market energy efficient improvements and to encourage such improvements to homeowners. This overall strategy by the utility is designed to help reduce energy demand on its system ("demand-side" management). The "Stripper XVI" allocation to the Energy Bureau would be used primarily to market the program statewide by working with builders, utilities, lenders and other interested parties.

The Committee has had a long history of approving oil overcharge allocations designed to enhance the energy efficiency of the state's housing stock (for example, such programs have been approved in the past under "Stripper I, IV and VIII" allocations). In light of the Committee's

previous support for such programs, the Committee may wish to adopt the Governor's proposal and allocate \$125,000 of "Stripper XVI" funds to help expand the home energy rating/energy efficiency financing project statewide.

**I. Energy Education Grants.** The Governor has proposed allocating \$90,000 of "Stripper XVI" funds to the Energy Bureau to fund an additional grant cycle for the energy education fund. This program provides small grants to public and private sector entities for projects designed to encourage more efficient uses of energy. In addition, the proposal calls for allocating \$25,000 to the Institute for Environmental Studies at the University of Wisconsin-Madison to fund the work of graduate student interns assigned to projects at the Energy Bureau.

Previously, the Committee has taken the following action relating to establishing an energy education fund:

<u>Date</u>	<u>Nature of Allocation Action</u>
December 18, 1990	\$40,000 of "Stripper VIII" funds proposed by the Governor for an energy education fund. Proposed funding deleted by JFC and allocated instead to a traffic light synchronization project.
February 13, 1992	\$100,000 of "Stripper XI" funds allocated for an energy education fund.
December 15, 1992	\$100,000 of "Stripper XII" funds allocated to continue the energy education fund.
February 2, 1994	\$50,000 of "Stripper XIV" funds allocated to continue the energy education fund. This phase of the program was administered by the Department of Public Instruction (DPI) through this agency's Environmental Education Fund.

Under the proposed allotment of \$90,000 for continuation of the energy education grant fund, the administration of the program would be returned to the Energy Bureau. Under the previous "Stripper XIV" allocation, the funds for the energy education grant program were allocated to DPI to supplement grants made available through that agency's environmental education fund. The environmental education fund provides matching grants to private nonprofit organizations and to public entities for projects relating to the development, dissemination and presentation of environmental education programs. During the past year, DPI made four energy grants under the program totalling \$47,800.

The supporting rationales advanced by DOA for restoring administration of the energy education fund to the Energy Bureau are as follows: (1) the Bureau previously administered the program in an efficient manner and required no additional funding for staffing or administration; (2) the Bureau has a better network already in place of possible grant applicants; and (3) because

many staff positions have been eliminated or are scheduled for elimination at DPI, there is no guarantee of expertise in that agency to continue the administration of the program. For its part, DPI has indicated that: (1) the environmental education grant fund is an on-going statutory program with the Environmental Education Board providing oversight and making grants; (2) educators and others are aware of the fund and look to it for the support of innovative environmental and energy programs; and (3) program administration and continuity is assured by the assignment of 0.5 FTE position to provide support to the Board.

In previous actions establishing a discretionary energy education fund, the Committee has on one occasion denied an allocation for this purpose and on three other occasions has acted to authorize the continuation of such a fund. In light of the funding history of the program, the Committee may wish to consider whether or not it believes it desirable to allocate an additional \$90,000 for this purpose. If the Committee opts to provide "Stripper XVI" funds for energy education grants and agrees with DOA's argument for returning the program to DOA, it could approve the Governor's recommendation. Alternatively, if the Committee believes that it is preferable to continue to allocate the funds through DPI's environmental education grant fund, as was authorized under the previous "Stripper XIV" allocation, it could modify the Governor's proposal by allocating the \$90,000 of "Stripper XVI" funds to DPI for award through the environmental education fund. Finally, based on the Committee's earlier denial of funds for an energy education fund under the "Stripper VIII" allocation, the Committee could instead allocate the funds to another purpose of its choosing or retain the funds as in allocated reserves at this time.

The \$25,000 that would be allocated under the proposal to the Institute for Environmental Studies at the UW-Madison would permit the appointment of graduate students as half-time project assistants who would, in turn, be assigned as interns in the Energy Bureau. Interns receiving support under this program would undertake projects which the Energy Bureau would identify which were also relevant to the student's educational program. Possible projects would include forecasting, modeling and tracking of Wisconsin energy use, supplies and prices; identification of target populations for energy program development and the measurement of program outcomes and effectiveness. The Energy Bureau notes that currently a similar type of program operates in the Department of Natural Resources where that agency contracts with the Institute for 20-30 student interns annually. Under the Governor's "Stripper XVI" proposal, the \$25,000 allocation would support a half-time project assistant position at an estimated annual cost of \$17,900, with the balance available for support costs (such as office space and telephone charges) and for supplies and materials related to the project to which the intern would be assigned.

If the proposed \$25,000 allocation is expended for this purpose, the Committee may wish to consider whether there will likely be a continuing interest on the part of DOA and the Institute for Environmental Studies to request on-going funding for the internship program. This could result in probable future requests for additional state funds or additional oil overcharge allocations. If the Committee believes that it is appropriate to allocate oil overcharge funds to support student interns in DOA's Energy Bureau, it could act to approve this component of the

energy education fund allocation. However, if the Committee believes that oil overcharge funding should not be allocated for this purpose, it could reallocate the \$25,000 of "Stripper XVI" funds to another program purpose or to retain the funds as unallocated reserve at this time.

**J. Environmental Monitoring of Energy Impacts.** The Governor has proposed allocating \$50,000 of "Stripper XVI" funds to provide a state match for a \$150,000 contribution from Wisconsin electric utilities and the Electric Power Research Institute (ERPI). ERPI is a national research entity funded through contributions from investor-owned electric utilities. The overall project would allow continuation of studies of the environmental impact of public utilities' energy generating activities.

This allocation proposal has been developed as a result of the scheduled sunset on June 30, 1996, of s. 196.856 of the statutes, which requires the PSC to assess Wisconsin electric utilities a total of \$400,000 annually for acid rain monitoring and research studies. Although the authority to levy the assessment ends after June 30, 1996, the state's electric power industry has reached an agreement with the state to support a continuation of acid rain monitoring efforts for an additional three years at a cost of \$200,000 annually. As part of this agreement, the state will be expected to support this effort by contributing \$50,000 annually for three years. Receipt of funds from the electric power industry is contingent upon the state's participation in the funding effort. Under the program, three separate projects would be supported: (1) an atmospheric deposition study which will focus on the continued monitoring pollutants with particular emphasis on mercury contamination (total annual project cost of \$90,000); (2) a lakes monitoring program to continue to assess the impact of acid rain on a group of lakes in northern Wisconsin (total annual project cost of \$60,000); and (3) a study of mercury and other heavy metal absorption in waterfowl (total annual project cost of \$20,000). Additionally, ERPI receive 20% of the ERPI and utilities' contribution for program management costs (\$30,000). It is estimated that the state's contribution to the project would be used to support LTE salaries in the Department of Natural Resources (\$38,200), the costs of analyzing geological samples (\$2,100), and a portion of the costs of operation of seven national atmospheric deposition sites in Wisconsin (\$9,700).

A question may be raised whether acid rain and related research activities are sufficiently energy-related to be qualified for funding under the oil overcharge restitution program. In response to this concern, the Energy Bureau argues that operational modifications made by utilities in an effort to address pollution concerns may have a significant impact on the type fuel resource used and the amount of energy consumed in the production of electricity. Hence, it is argued that the project would be eligible for funding under oil overcharge restitution guidelines and should be funded.

In light of this consideration and because the project will not go forward without the state's participation, the Committee may wish to consider allocating \$50,000 of "Stripper XVI" funds for this project. However, the Committee should recognize that the parties are planning a three-year project which will entail an additional \$50,000 state commitment for both the second and the third year. Thus, if the project is to continue beyond the first year, additional state funds will have to be committed either from future oil overcharge allocations or from other sources.

**K. Wisconsin Black Holocaust Museum.** The Governor has proposed allocating \$40,000 of "Stripper XVI" funds to assist with the purchase and installation of energy efficient windows, lighting, insulation and related weatherization products for America's Black Holocaust Museum, Inc., located in the City of Milwaukee. The museum is located in a building donated by the City of Milwaukee. The Milwaukee County Board provided funding of \$30,000 for structural improvements, including provisions of some insulation for the building. The Museum offers interpretive exhibits depicting the effects of violence against African-Americans under slavery and during the segregation and post-segregation eras in the United States.

A preliminary examination of the facility has identified approximately \$55,000 of energy conservation improvements which need to be made. These improvements include the installation of: (1) high efficiency fluorescent lighting (approximately \$12,000); (2) energy efficient window walls (approximately \$13,000); (3) exterior sidewall insulation, dry-walls and finish trim (approximately \$20,000); (4) a suspended ceiling (approximately \$9,000); and (5) operation and maintenance improvements (less than \$1,000). The Governor's proposed allocation would fund \$40,000 of these energy-related costs.

Previously, the Committee has approved a similar type of allocation by providing \$75,000 of "Stripper XII" funds to the African House Museum in the City of Milwaukee for the purchase and installation of energy efficient equipment and for weatherization-related improvements. Based on its previous action funding a similar type of project, the Committee may wish to approve the proposed authorization. However, if the Committee believes that this particular project does not meet the broad restitutionary standards for oil overcharge allocations, it could act to deny the proposed allocation. This would allow the \$40,000 to be allowed for other purposes of the Committee's choosing or retain the funds as unallocated reserves at this time.

**L. Oil Overcharge and Energy Efficiency Programs Management Costs.** The Governor has approved allocating all interest accruing on "Stripper XVI" funds for the purpose of used by Energy Bureau for 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.

Under this earlier allocation action, more than \$775,000 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 1995-96 fiscal year. Currently, approximately \$55,000 remains available

in "Stripper III and IV" interest earnings. The Energy Bureau estimates that these amounts will likely be exhausted during the 1996-97 fiscal year.

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.

Depending on when DOA actually receives the full "Stripper XVI" allocation of \$1.6 million from the federal government, it is anticipated that interest earnings on the full amount could generate up to \$86,000 in interest earnings over a one-year period. However, given the delays in receiving the full "Stripper XVI" allocation, an estimate of \$60,000 to \$65,000 in interest earnings is more likely. Under the Governor's proposal, these amounts would be tapped once the current "Stripper III and IV" residual amounts have been exhausted, probably during the latter half of the 1996-97 fiscal year.

The use of oil overcharge funds to support program management activities is an eligible use of such funds. Given the Committee's past actions allocating "Stripper III and IV" interest earnings for this purpose, and the indication that those funds are expected to be soon exhausted, the Committee may wish to consider allocating the "Stripper XVI" interest earnings for this purpose.

**Amendments to Previously Approved Oil Overcharge Allocations.** The Governor's submission includes proposals for amendments to three previously approved oil overcharge expenditure plans. These proposed amendments are reviewed below.

**Amendment to the School Energy Bank Program ("Stripper XI").** The Governor has proposed modifying the school energy bank program (now called the Wisconsin Energy Initiative 2) from a pilot project involving schools in six Wisconsin counties to a project which would be statewide in scope. Under the current program, the oil overcharge funds support the costs of modest technical assistance grants to enable school districts to identify cost-effective energy efficiency improvements and to estimate the potential energy and cost savings from such improvements. School districts are then put in touch with lenders who use standardized lease-purchase agreements to fund the project. The schools, in turn, use their savings from energy cost reductions to pay the lease-purchase costs. Currently, over \$600,000 from the original "Stripper XI" allocation remains available for the program. No additional funds would be allocated under the proposed amendment.

To date, the pilot program has assisted 41 school facilities in Columbia, Portage, Wood, Chippewa, Clark and Eau Claire Counties. At least 12 of these facilities will have energy



efficiency improvements made during the summer of 1996 with funding from private lenders using the program's standardized lease-purchase agreement. Given the relative success of the pilot and the funding which currently remains available in the program which could support a statewide initiative, the Committee may wish to authorize opening the program to public and private educational facilities throughout the state.

**Consolidation of Two Home Energy Efficiency Financing Programs ("Stripper I" and "Stripper VIII")**. Under this proposal for a modification to previous oil overcharge expenditure plans, \$505,100 in previously allocated oil overcharge funds remaining from home energy incentive programs administered by the Wisconsin Housing and Economic Development Authority (WHEDA) would be transferred to DOA to be made available for one-time rebates to: (1) homeowners who increase the energy efficiency of their homes; and (2) buyers of newly constructed homes which have been built to higher energy efficiency standards. Up to 5% of the transferred funding would be reserved for use by DOA for administration. Under the proposed program, the rebate would be based on the home's energy efficiency rating, under the Home Energy Rating System (HERS), described in program element G above. Thus, these funds would be intended to generate market demand for HERS-rated homes.

Under WHEDA, the original program was administered as part of the home improvement loan program, utilizing \$1,500,000 of "Stripper I" funds approved by the Joint Committee on Finance in December, 1986, and a modified program was authorized from an additional \$900,000 of "Stripper VIII" funds allocated by the Committee in December, 1990. The current program provided a 25% rebate on the cost of eligible energy improvements, with a minimum rebate of \$250 and a maximum rebate of \$1,250. Although called rebates, the funds were not actually paid to the borrower but rather were used to reduce the interest rate of the total home improvement loan. As a result, the borrower's monthly payments were lowered, making the energy improvements more affordable.

The proposal to transfer the remaining funds to DOA was generated by a restructuring at WHEDA, as a result of which the Authority has indicated that it no longer has the staff resources to administer the program. Of the amount to be transferred, \$500,000 is available from "Stripper I" funds because borrowers repaid their home improvement loans prior to maturity, providing savings in the amount of interest rate buy-down payments made, and \$5,100 is available in unallocated interest earnings from "Stripper VIII" funds. In addition to the \$505,100 proposed to be transferred to DOA, \$136,000 would remain with WHEDA to continue to pay interest rate buy-downs on loans which remain outstanding under the current program. Should any of these funds subsequently become available due to early repayment of loans, these would also be transferred to DOA to be added to the \$505,100 transferred initially. DOA indicates that under its proposal these funds would be distributed as one-time cash rebates directly to homeowners and buyers because distribution of the funds in this fashion would be administratively simpler than WHEDA's distribution of funds to lenders in connection with a home mortgage. The expected rebate amount would range from \$200 to \$300. However, DOA has not determined what the specific rebate minimum and maximum amounts would be.

The proposed use of the funds for home energy efficiency improvements appears consistent with the original purpose of the funds as approved by the Committee under the "Stripper I" and "Stripper VIII" allocations, and thus the Committee may wish to approve the proposal.

## ALTERNATIVES

1. Approve: (a) the Governor's oil overcharge plan dated March 16, 1996, to allocate \$1,600,000 plus accruing interest; (b) the amendment to the previously approved "Stripper XI" plan to convert the school energy bank program into a program available to public and private educational facilities throughout the state; and (c) the consolidation of the middle-income, residential energy conservation program originally approved under the "Stripper I" plan and the home energy loan/rebate program originally approved under "Stripper VIII."

*Alternatively, approve the Governor's recommendations, as modified by one or more of the following changes:*

2. With respect to the low-income sustainable energy pilot program (program element A) either:

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

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- (i.) Place \$100,000 of currently unallocated oil overcharge funds in unallotted reserve for use for costs in connection with the proposed planning process and require that the Department of Administration submit a detailed proposal for expenditure of these funds to the Committee for review under a s.16.515 type review process before any funds may be expended for this purpose.
  - (ii.) Place \$900,000 of currently unallocated oil overcharge funds in unallotted reserve for use in any pilot programs that may be recommended as a result of the proposed planning study.
  - (iii.) Direct that the Department of Administration submit the recommendations (including any proposed pilot programs) from the proposed planning process to the Committee by November 1, 1996, for review under a s. 16.515 type review process. Provide that DOA may include in this submittal its recommendations for expenditure of monies from the \$900,000 that would be reserved under alternative ii above.
  - (iv.) Specify further that if the Department of Administration is unable to submit any recommendations from the proposed planning study to the Committee by November 1, 1996, then DOA is required to submit instead a recommendation by that date for expenditure of these unallotted funds for crisis heating assistance or other LIHEAP related programs; or

(b.) Do not approve the proposal and instead, either:

- i. Place the \$1,000,000 in currently unallocated oil overcharge funds in unallotted reserve for use as additional funding for low-income heating assistance benefits; or
- ii. Retain the <sup>900,000</sup>~~\$1,000,000~~ as unallocated oil overcharge funds available for future allocation.

3. With respect to the Weyauwega disaster recovery assistance program (program element B), direct the Department of Administration's Energy Bureau to earmark up to \$100,000 of currently available program balances for property in the Weyauwega area rather than new "Stripper XVI" funds to provide the disaster recovery assistance funding *[or allocate the funds to another program of the Committee's choosing.]*

4. With respect to the ethanol from paper mill sludge program (program element D), stipulate that the proposed allocation of \$70,000 of "Stripper XVI" funds be placed in unallotted reserve for future release by the Committee under a s. 16.515 type passive review process procedures once the Department of Administration determines that one or more state paper mills has elected to participate in the project and that the initial feasibility studies suggest a reasonable likelihood of the project's success.

5. With respect to the energy education grant program (program element I), stipulate that \$90,000 of the proposed allocation "Stripper XVI" monies for grant funding be administered by the Department of Public Instruction in conjunction with its environmental education fund rather than by the Energy Board.

6. With respect to the energy education grant fund (program element I), delete the proposed allocation of \$25,000 of "Stripper XVI" funds to support graduate student internships in the Department of Administration's Energy Bureau *[or allocate the funds to another program of the Committee's choosing.]*

7. With respect to the Wisconsin Black Holocaust Museum program (program element K), delete the proposed allocation of \$40,000 of "Stripper XVI" funds to support energy efficiency improvements at the facility *[or allocate the funds to another program of the Committee's choosing.]*

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

<u>Program Element</u>	<u>Governor's Allocation Proposal</u>
A. Low-Income Sustainable Energy Pilot Program	\$1,000,000
B. Weyauwega Disaster Recovery Assistance	100,000
C. Ethanol Refueling Infrastructure	25,000
D. Ethanol from Paper Mill Sludge	70,000
E. Ethanol from Cheese Whey	40,000
F. Switchgrass Production for Electricity and Ethanol	15,000
G. Photovoltaics Feasibility Study	20,000
H. Home Energy Rating System and Energy Efficiency Financing	125,000
I. Energy Education Grants	115,000
J. Environmental Monitoring of Energy Impacts	50,000
K. Wisconsin Black Holocaust Museum	40,000
L. Oil Overcharge and Energy Efficiency Programs Management Costs	<u>Interest</u> <sup>a</sup>
TOTAL	\$1,600,000

<sup>a</sup>Consisting of all "Stripper XVI" interest earnings.

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