

1997-98 SESSION
COMMITTEE HEARING
RECORDS

Committee Name:

Senate Committee on
Agriculture and
Environmental
Resources
(SC-AER)

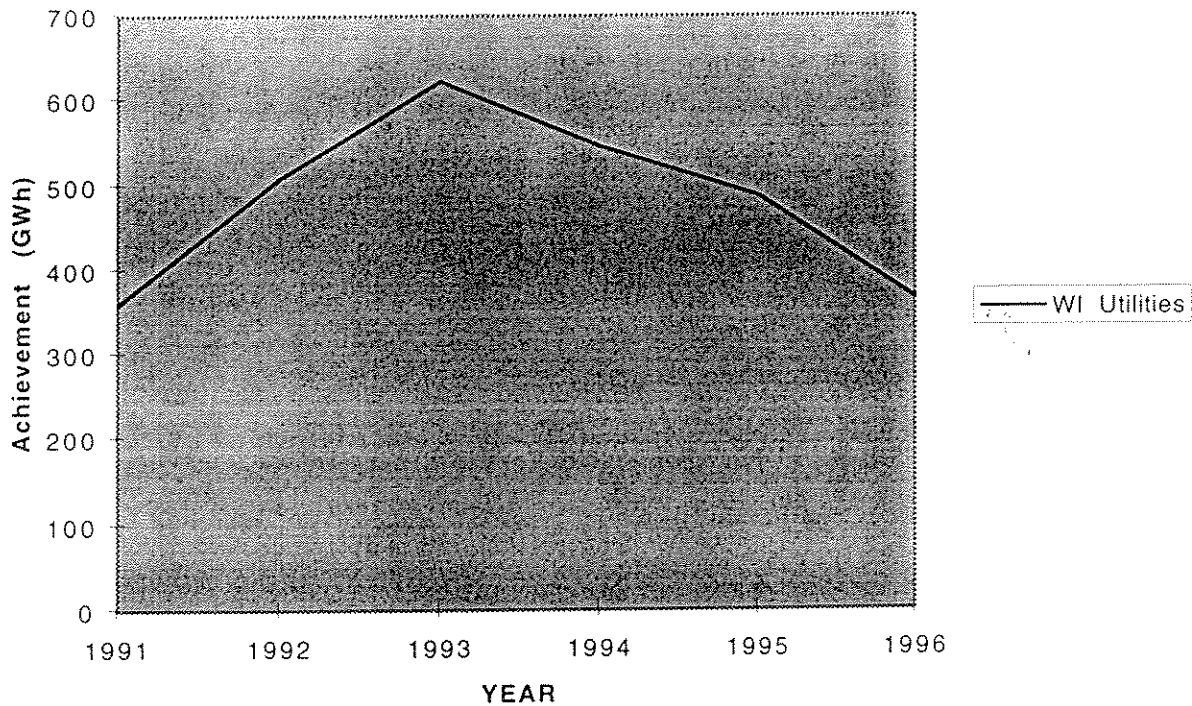
Sample:

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

- Appointments ... Appt
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- Clearinghouse Rules ... CRule
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- Committee Hearings ... CH
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- Hearing Records ... HR
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- Miscellaneous ... Misc
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WISCONSIN UTILITY DSM ENERGY ACHIEVEMENT

ENERGY EFFICIENCY SAVINGS



Statewide Utility Energy Savings Including: WEPCO, WP&L, NSPW, WPS, and MG&E

1991	357.78 GWh
1992	508.91 GWh
1993	621.06 GWh
1994	544.37 GWh
1995	486.97 GWh
1996	364.55 GWh

March 25, 1998

The Honorable Alice Clausing
Wisconsin State Senate
P.O. Box 7882
Madison, WI 53707-7882

Dear Senator Clausing:

I am writing to express Wisconsin Power and Light Co.'s support for Senate Bill 529, which has been introduced by Sen. Gwen Moore. WP&L also supports similar legislation that has been introduced in the Wisconsin State Assembly.

As you are aware, the electric-utility industry is changing rapidly in Wisconsin and throughout the nation, with the move toward competition and customer choice. Given these changes, it is vitally important to ensure that low-income customers have the economic means to participate fully in the competitive marketplace.

SB 529 achieves this important goal by continuing low-income assistance programs that utilities have funded for years. Moreover, the bill continues those programs at funding levels that were identified jointly by energy companies and low-income advocates through a cooperative effort.

In the future, competing suppliers must not shy away from certain customers merely out of concern that those customers won't be able to pay their bills. Low-income customers must have the economic means to shop the market for lower electric prices, just like they do for groceries and other necessities of life.

We also must ensure that low-income customers have access to energy-efficiency programs, which help people save energy and free up more resources for other basic necessities.

We cannot leave low-income customers with only one choice -- the choice between heating their homes and feeding their families. Instead, low-income customers -- and all customers -- must have the same choices and the same opportunities to benefit from electricity competition.

Thank you for your consideration.

Regards,



David W. Helbach
Director-Public Affairs



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Sun Prairie, Wisconsin 53590
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**Testimony of David J. Benforado, Executive Director,
Municipal Electric Utilities of Wisconsin,
in Support of Senate Bill 517,
a Comprehensive Public Benefits Proposal,
before the Senate Committee
on Agricultural & Environmental Resources**

**March 25, 1998
Madison, Wisconsin**

Good morning. My name is Dave Benforado. I am Executive Director of the Municipal Electric Utilities of Wisconsin and I am here today to testify in support of Senate Bill 517, a comprehensive public benefits bill introduced on March 19 by Senator Brian Burke and cosponsored by Representative Rosemary Potter.

The Burke/Potter bill is based on a comprehensive public benefits package developed by the *Customers First!* Coalition, a diverse coalition including municipal utilities, electric cooperatives, an investor-owned utility, environmental groups, low-income organizations, the Citizens Utility Board, AARP, and many other organizations.

Our support of Senate Bill 517 is subject to: (1) it being considered as a stand-alone bill, not linked to efforts to pass an electric reliability bill; (2) the need for a technical set of amendments since some important details are still being worked out; (3) the need for an inclusive bipartisan process by which all parties can participate.

Background

As part of anticipated regulatory changes for the electric and natural gas industries, the protection of public interests will be a key component of Wisconsin's restructuring effort. One category of such interests, which is generally referred to as "Public Benefits," includes initiatives aimed at protecting and enhancing low income customer assistance activities, energy conservation programs, the development of renewable energy resources, and environmental research and development (R&D) concerns.

The Public Service Commission of Wisconsin has formally recognized that in the past these Public Benefits have been an integral part of public utility regulation and that state legislation will be needed to ensure these activities continue in a restructured industry. The PSC established a process in which it sought the assistance of several stakeholder groups to develop a Public Benefits policy that would be used as a framework for proposing legislation designed to protect and further Wisconsin's Public Benefits initiatives.

Through this process, several of the stakeholder participants, as well as the PSC, either developed or are now in the process of developing proposals to submit to the Legislature for enactment into law. As of this time, there are three Public Benefits proposals: 1) Senate Bill 517, which is based on the *Customers First!* Coalition's proposal, and for which important details are still being worked out; 2) the Public

Aigoma
Arcadia
Argyle
Bangor
Barron
Belmont
Benton
Black Earth
Black River Falls
Bloomer
Boscobel
Brodhead
Cadott
Cashton
Cedarburg
Centuria
Clintonville
Columbus
Cornell
Cuba City
Cumberland
Eagle River
Elkhorn
Elroy
Evansville
Fennimore
Florence
Gresham
Hartford
Hazel Green
Hustisford
Jefferson
Juneau
Kaukauna
Kiel
La Farge
Lake Mills
Lodi
Manitowoc
Marshfield
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Medford
Menasha
Merrillan
Mount Horeb
Muscodia
New Glarus
New Holstein
New Lisbon
New London
New Richmond
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Oconto Falls
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Rice Lake
Richland Center
River Falls
Sauk City
Shawano
Sheboygan Falls
Shullsburg
Slinger
Spooner
Stoughton
Stratford
Sturgeon Bay
Sun Prairie
Trempealeau
Two Rivers
Viola
Waterloo
Waunakee
Waupun
Westby
Whitehall
Wisconsin Dells
Wisconsin Rapids
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Service Commission's December 18, 1997, order in Docket 05-BU-100, which is not in bill form; and 3) Assembly Bill 941, Rep. Riley and Senator Moore's proposal, which encompasses the Low Income Energy Coalition (LIEC) proposal.

These three proposals reflect significant consensus by the stakeholders on the legislation they believe is necessary to protect and enhance Public Benefits. There are, however, certain fundamental differences between the proposals which will require attention as the Legislature seeks to enact a law that best meets the Public Benefits goals. The key proposal differences can be broken down as follows and are set forth on the attached chart:

- **Scope of Public Benefits Legislation.** The key issue regarding the scope of proposed Public Benefits legislation is whether the law that is eventually enacted should establish a framework for both low income programs and energy efficiency/renewables/R&D programs. At the present time, Senate Bill 517 and the PSC proposal cover both topics, whereas Assembly Bill 941 extends only to low income programs.
- **Structure of Public Benefits Oversight and Implementation.** A primary issue surrounding the structure of Public Benefits programs is whether legislation will establish a new Public Benefits Board with oversight and policymaking authority, or whether this authority will rest with one or more state agencies. A subpart of this issue is whether the PSC will be given Public Benefits oversight responsibility and whether it will be given authority over cooperative and municipal utility providers that it does not currently have.
- **Municipal Utility and Cooperative Flexibility.** The key issue regarding flexibility is whether consumer-owned utility providers (i.e., electric cooperatives and municipal utilities) will be required to implement a state-wide Public Benefits program, or whether these entities will have the option of creating local programs to fund and address local Public Benefits needs.
- **Funding Sources.** Primary issues surrounding funding sources is which entities will be responsible for providing the funds to implement the Public Benefits legislation and how such funds will be collected. The proposals range from focusing mainly on customer access fees to focusing solely on provider obligations which would be met through provider rate structures. The proposals also reflect questions regarding itemization of Public Benefits charges on customer bills and how charges will be prorated across utilities and customers.
- **Funding Levels.** The Public Benefits proposals reflect differing levels of funding which the proponents believe necessary to meet Public Benefits goals. The levels range from \$106 million to \$217 million, with differing amounts attributed to specific Public Benefits programs.
- **Use of Public Benefits Funds.** The issues surrounding use of Public Benefits funds range broadly from whether Public Benefits legislation should address energy efficiency/renewable resources/environmental R&D, to questions of how particular programs will be administered and where the primary emphasis of programs should be.

While the consensus across the various proposals is substantial, the differences delineated above merit significant attention by the Legislature and the public so that a comprehensive, efficient and functional law can be enacted to protect and enhance Public Benefits in Wisconsin.

I would be happy to answer any questions Committee members may have.

Attach.

Public Benefits Proposals in Perspective

	S.B. 517 (Burke/Potter)	PSC 12/18/97 Order (Policy & Principles)	94/58529 A.B. 517 (Riley/Moore)
Scope of Public Benefits Legislation	Proposes low income and energy efficiency/renewables/R&D programs	Proposes low income and energy efficiency/renewables/R&D programs	Proposes low income programs
Structure of Public Benefits Oversight and Implementation	Proposes establishment of Public Benefits Board attached to PSC; low-income programs administered by DOA	Proposes state agency (not PSC) oversight	Proposes establishment of Board not attached to PSC
Municipal Utility and Cooperative Flexibility	Proposes option for consumer-owned utilities to implement Commitment to Community program	Proposes partial option for consumer-owned utilities to implement Commitment to Community program	Proposal requires participation in state-wide program
Funding Sources	Proposes access fees as main source--Possible itemization on customer bills	Proposes provider recovery through rate structure--No itemization on customer bills	Proposes access fees, franchise fees, oil inspection fees and utility fees
Funding Levels	Total initial funding: \$217 million	Total initial funding: \$212 million	Total initial funding: \$106 million
Use of Funds--Energy Efficiency/ Renewable Resource/ Environmental R&D	Proposal focuses on market transformation and includes "Portfolio Standard" to promote renewables	Proposal focuses on market transformation	Proposal provides for no energy efficiency/renewables/R&D programs
Use of Public Benefits Funds (Low Income)	Obligations of universal service, winter moratorium and current protections to continue and to be placed on regulated distribution utilities	Preserves current levels/quality of service without identifying responsibility	Obligations of universal service, winter moratorium and current protections to continue and PSC to identify responsible entities

State Senator
GWENDOLYNNE MOORE
PRESIDENT PRO TEMPORE

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TESTIMONY ON SENATE BILL 529

First of all, I want to thank you Senator Clausen for agreeing to schedule my bill, Senate Bill 529, in such a timely manner, for a public hearing in your committee. I especially appreciate your efforts since I am well aware that time is particularly scarce as we approach the end of the session. But let me assure you that SB 529 is a good bill and deserves this public hearing.

We've all heard a lot about utilities this year—from our constituents complaining about electric reliability this summer to powerful utilities asking us to support their mergers and their rate increases.

Perhaps one of the biggest issues which will confront the legislature in the next few years is the DEREGULATION and Restructuring of the Electric Utility Industry. As legislators, I know we all are taking a strong interest in this Industry. Especially, since I'm sure that at least some of my fellow lawmakers have heard from their 1 or 2 of their constituents as a result of telephone companies deregulating.

In February of 1996, the PSC originally presented its **32 step plan to deregulate** the electric utility industry to the Legislature. On this 32 step plan, the creation of a **Public Benefits Policy Advisory Board** was #6 on the PSC's list.

We needed this Board to help identify what kind of "**PUBLIC BENEFITS**"—such as support for low-income energy assistance, weatherization and conservation programs, we could stand to lose under a less regulated industry if we weren't careful.

This **Advisory Board**, consisting of individuals from a wide variety of organizations, including PSC staff, DOA staff, public utility representatives—*(including investor owned utilities as well as munis and coops)*, low-income advocates, and representatives from environmental groups met extensively to develop recommendations and a plan a course of action.

I followed the meetings of this Advisory Board with much interest. **There are members of this Advisory Board here today which will be better able to speak about the process** which brought about consensus on many of the significant issues before us today. **But I'd like to point out that, in particular, there was a great deal of consensus among the "stakeholders" on low-income issues.** The Commission itself found that there was an overall initial need of \$105 million per year for services in the Public Benefits low-income effort. The \$105 million dollars would be provided by existing

federal low-income programs, in addition to being collected through some sort of state Public Benefit Funding.

The Commission also price-tagged how much it would cost for the energy effort---energy efficiency, renewable energy, and environmental research, as well. **I do support these efforts as well—presented to us in Senator Burke’s and Representative Potter’s bill.**

However, my concern is one raised by the Commission itself. The funds earmarked for the low-income initiative and the energy initiative need to be kept separate. I believe that if monies for services to low-income consumers and monies from energy initiatives are lumped together there would be a constant competition between these two groups for the same pot of money. **I fear that in this competition, low-income consumers could stand to lose out.** For this reason, my bill--SB 529—addresses the need for low-income consumers’ services and their funding alone. In addition, my bill attaches a low-income energy board to the **Department of Administration** which is only logical since the Division of Housing already administers low-income energy assistance programs.

Senator Burke’s and Representative Potter’s bill, on the other hand, creates a board for both low-income needs and energy efforts attached to the PSC. However, as the PSC has pointed out itself, the low income efforts and the energy efforts are very different scope and may have different goals. The PSC has argued that there would be a **permanent** need for a low-income board but perhaps an environmental board should be sunsetted after 7 years. We, unfortunately, will always have poor people, and I want assurance that those individuals always are protected. Passage of Senate Bill 529 would provide that assurance.

I have introduced SB 529 on behalf of those most vulnerable individuals among Wisconsin residents, in order to ensure that they continue to be protected even when this powerful utility industry deregulates. Before the legislature allows the utility industries to deregulate, it is imperative that the legislature move to adopt SB 529 to ensure that public benefits will be maintained and preserved for low-income consumers after restructuring.

I will outline briefly some of the major provisions of SB 529:

What the bill does

The Public Benefits Proposal:

- ◆ This bill creates a **Low-Income Energy Board**, attached to the Department of Administration, to set policy for the Public Benefits Fund and to monitor **LIEAP** (low-income energy assistance program) and **LIWP** (low-income weatherization program). In addition, this board would administer programs designed to **provide assistance to low-income households for early identification programs, furnace repair, weatherization, and payment of home heating costs.**

- ◆ The bill sets funding for Public Benefits at \$105 million . Approximately \$43 million of this amount should come from federal revenue. The remaining \$62 million would need to be recouped from existing Wisconsin sources. In order to fund this commitment to low-income consumers, residential customers would be charged about \$1 more a month—or \$12 annually.
- ◆ This bill requires gas and electric providers to contribute 83% of the program funding (the difference between the \$105, 000,000 and the federal money for both LIEAP and LIWP) and heating oil fees to recover the remaining 17%. In addition, the amount that each utility is required to contribute to the fund is tied to the actual number of customers or members.
- Requires that utilities charge uniform fees that are not based on the volume of gas or electricity that a customer or member uses and prohibits utilities from stating an access fee surcharge on customer bills.

In addition, I'd like to quickly present to the Committee some quick facts about Low-Income Energy Assistance.

QUICK FACT SHEET

- ⇒ During the past 3 years, **38,000 low-income** households have utilized energy assistance
- ⇒ Of the eligible populations, those whose income is 150% below FPL, *only 11% used assistance during the past 3 years*
- ⇒ In Wisconsin, the **average low-income family spends 14% of their income on energy costs** while **the average household pays an average of 2%.**
- ⇒ **40% of the families using low income energy assistance had children under the age of 6, the safety and health of young children is the serious issue at hand**
- ⇒ The **Public Service Commission (PSC) has identified \$105 million as the absolute minimum required to meet the demand of low income needs**
- ⇒ **\$40 million of the \$105 is anticipated to come from Federal money, the difference will have to be made up by consumers and energy providers**
- ⇒ However, a **federal shortfall of funding**, in particular **LIHEAP** (low-income energy assistance program money) is anticipated (**funding for LIHEAP has declined from \$75 million in 1985 to \$31 million in 97-97**). Therefore, the state and energy providers must acknowledge this fact and be prepared, and willing, to step in
- ⇒ Low income households are not, necessarily, just skipping out of paying their bills. **Low income households pay 80% of their home energy bills**

In Conclusion,

The PSC has identified the need for the \$105 million dollar annual funding in order to maintain services for low-income consumers.

In addition, three major utilities, Wisconsin Power and Light, WEPCO, and Wisconsin Gas, and low-income advocacy groups—including: Coalition of Wisconsin Aging Groups, Wisconsin Community Action Program Association (WISCAP), Wisconsin Coalition for Advocacy, Wisconsin Federation for Community Based Development, Wisconsin Council on Children and Families, Weatherization Operators of Wisconsin, Community Advocates, Interfaith Older Adult Program, OIC of Greater Milwaukee, Project Equality, New Concepts for Self Development Center, Project Involve, Social Development Commission, United Migrant Opportunities Services, Hispanic Chamber of Commerce, YWCA of Greater Milwaukee, all support this proposal.

This bill also enjoys bi-partisan support. I would hope that the Committee would listen to these joint voices of these diverse groups on this issue and support SB 529. Thank you.