

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON
GOVERNOR

GEORGE LIGHTBOURN
ACTING SECRETARY



Office of the Secretary
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December 2, 1999

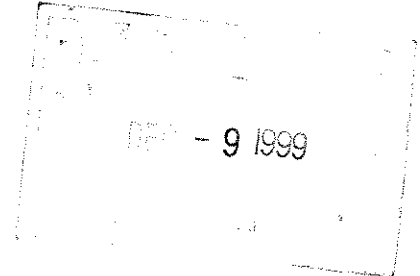
The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
Wisconsin State Senate
316 South, State Capitol
Madison WI 53702

The Honorable John Gard, Co-Chair
Joint Committee on Finance
Wisconsin State Assembly
315 North, State Capitol
Madison WI 53702

Dear Senator Burke and Representative Gard:

When Governor Thompson signed 1999 Act 9 into law on October 4, 1999, a broad series of new assignments related to electric reliability and utility public benefits became the responsibility of the Department of Administration. DOA is charged with establishing both low-income and energy efficiency programs that will ultimately expend as much as \$180 million per year. The language includes neither funding nor staffing authorization, with an understanding that DOA would return to the Joint Committee on Finance with a fully developed staffing and administrative plan. I have every intention of doing so. However, I am sure you agree that the time between the signing of the legislation and the first opportunity to submit a s. 13.10, Wis. Stats., request does not permit the development of a fully considered and defensible plan. At the same time, deadlines contained in the legislation make very clear the Legislature's intent that DOA move ahead rapidly with these programs.

I want to advise the members of the Joint Committee on Finance as to how we intend to handle this situation in the interim. In previous s. 13.10 actions, the Committee has authorized various sums of money for the DOA administration of oil overcharge programs. Sufficient funds are currently available to permit DOA to borrow a portion of this funding, previously authorized for administrative purposes, and use it to temporarily fund the initial planning for new responsibilities under Act 9. Once the Utility Public Benefits Fund has received adequate revenue, DOA will transfer back any borrowed funds, with interest, to the oil overcharge administrative accounts. In this way, we will use administrative funds for administrative purposes, with an interim loan between programs. I view this as the most expeditious means of funding these administrative expenses pending the development of a complete administrative plan.



December 2, 1999
Page 2 of 2

Once DOA has established the mandated programs, and had the opportunity to seek input from the Public Benefits Advisory Council created in Act 9, I will submit a complete staffing and administrative proposal to the Joint Committee on Finance for its consideration under the terms of s. 13.10. This proposal will contain an accounting of all funds borrowed in the meantime. This will meet the Committee need for Legislative oversight in a way that still allows DOA to comply with the intent of the Legislature to field these programs as quickly as feasible.

Sincerely,



George Lightbourn
Acting Secretary

Cc: John C. Marx, Administrator
Division of Energy and Public Benefits

STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

316 South, State Capitol
P.O. Box 7882
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ASSEMBLY CHAIR
JOHN GARD

315 North, State Capitol
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JOINT COMMITTEE ON FINANCE

January 4, 2000

Mr. George Lightbourn, Acting Secretary
Department of Administration
101 East Wilson Street, 10th Floor
Madison, WI 53703

Dear Mr. Lightbourn:

This is in reply to your letter of December 2, 1999, in which you communicated your intent to take several steps to provide initial funding for the new public benefits program in DOA which was created as a part of 1999 Wisconsin Act 9. Act 9 created a separate, sum certain appropriation, to be funded from new segregated revenues, to pay for the administrative costs associated with this new program. However, no funding level was provided so that additional legislative action under s. 13.101 is necessary to provide actual spending authority. Further, it is expected that it will take some time before revenues begin to flow to the new Public Benefits Fund from which these program administrative expenditures are to be ultimately funded.

You indicate that it is your intent to eventually submit a formal spending and staffing plan to the Committee for approval, but that as of the date of the submittal of your letter, you had not been able to develop a complete plan.

In view of the need to commence planning activities for this new public benefits program in DOA, we will not object to your proposal to make interim expenditures with the understandings that:

- DOA will provide the Committee with monthly reports regarding the amount of funds, by category, that is temporarily being expended on these proposed planning activities;
- DOA will provide the Committee, as soon as possible, with a detailed report on the total amount of administrative money allocated from oil overcharge funds that is currently available

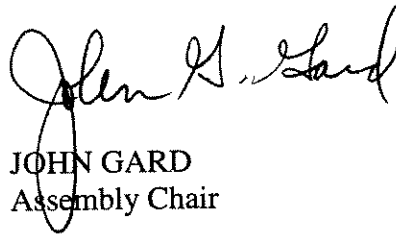
for use by the Division of Energy and Public Benefits and an indication of how these funds are otherwise planned to be used during the 1999-01 biennium; and

- No later than the submittal date for the next quarterly meeting of the Committee under s. 13.101, you will submit a budget and staffing plan for the public benefits program for at least the remainder of the 1999-00 fiscal year.

Sincerely,



BRIAN BURKE
Senate Chair



JOHN GARD
Assembly Chair

BB:JG:dh

cc: Members, Joint Committee on Finance



Legislative Fiscal Bureau

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

May 26, 2000

TO: Senator Brian Burke, Co-chair
Representative John Gard, Co-chair
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Continuation of Wisconsin Public Service Corporation Grant to DOA for Energy Efficiency Public Benefits Programs

BACKGROUND

In a letter (copy attached) to the Co-chairs dated April 28, 2000, Department of Administration (DOA) Secretary George Lightbourn advised that upon Public Service Commission (PSC) approval, DOA plans to extend an existing contractual agreement between it and the Wisconsin Public Service Corporation (WPSC) until December 31, 2002. The WPSC is an electric and gas public utility headquartered in Green Bay with a 23-county Wisconsin service area, primarily in the northeastern part of the state. Although referred to as the extension of a current agreement, this proposal (which is still only in draft form) would represent a new contract and a new grant of funding to DOA. Under this new grant, the WPSC would continue to fund the development and administration by DOA of a variety of energy efficiency and conservation and other related programs in the Wisconsin counties served by the utility through the period of the grant. In contrast to how the previous grant was handled, the DOA Secretary is not requesting that the Committee approve the expenditure of these new grant funds.

You have inquired whether Committee approval of the funding is required before the proposed contract extension with the WPSC is executed and the grant funds are expended. This position could be supported, based on the precedent that the original 1998 agreement between DOA and the WPSC was submitted to the Committee for its review before the contract was formalized and that the Committee formally acted under s. 13.10 to approve the acceptance of that grant. Furthermore, there are additional implications arising from any new contract extension that may be of concern to the Committee as a result of provisions of the electric and gas utility "Reliability 2000" initiative contained in 1999 Wisconsin Act 9. The continuing program responsibilities to be undertaken by DOA on behalf of the WPSC under the proposed contract extension will impact on

the new DOA responsibilities created by this law and these new responsibilities will ultimately necessitate Committee approval of administrative support funding and position authority.

Under these Act 9 provisions, certain expenditures currently being funded by public utilities in support of a variety of existing initiatives (collectively referred to as "public benefits programs") must be transitioned from electric and gas utilities to DOA. As defined under Act 9, "public benefits programs" are those involving: (1) energy conservation and efficiency ["demand-side management"] efforts; (2) services to low-income utility customers, including low-income weatherization, arrearages and the writing off of uncollectible bills; (3) environmental research and development; and (4) renewable resources development. The transition of these programs from the WPSC (and other Wisconsin electric and gas utilities) will occur over a three-year period beginning in calendar year 2000 and terminating at the end of calendar year 2002, in accordance with a timetable currently being developed by the PSC.

During this transitional period, it is expected that increasing amounts of the grant funds that would be provided by the WPSC under the proposed new contract will lose their character as grant funds to DOA for its management and delivery of public benefits programs in the WPSC's service area. Rather than continuing to be available as grant funds to DOA, these monies will instead have to be credited to the new segregated public benefits fund. Once the funds are deposited into the public benefits fund, they may be used only for statewide public benefits programs and cannot be earmarked solely to one utility's service area. Currently, although DOA has a general program operations appropriation to support the administration of the transferred public benefits programs, no actual funding or position authority has yet been provided under this appropriation. The grant funds received under the current contract are deposited into a general DOA gifts and grants PR appropriation.

In order to further clarify the potential implications of some of these matters, the remainder of this memorandum: (1) reviews the original 1998 agreement between DOA and the WPSC and describes the Committee's role in approving the grant provided under that original agreement; (2) briefly reviews the potential impact of certain Act 9 "Reliability 2000" initiative provisions on the proposed new contract; and (3) briefly analyzes the draft contract proposal in light of the foregoing discussion and presents a range of possible actions that the Co-chairs might take relative to the proposed new contract.

1998 CONTRACT BETWEEN DOA AND THE WPSC

Background. For a number of years beginning in the mid-1980's, the PSC has required or allowed individual utilities as part of the rate-setting process to provide energy efficiency services (also known as demand side management programs) for their customers. The purpose of these programs has been to reduce the overall rate of increase in energy demand, thereby forestalling the need for costly new power plant construction. Initially, these programs had to rely on the regulated utilities for their implementation in the absence of any private sector markets that could provide the appropriate energy efficiency services.

Then, in a series of rate orders during 1996 and 1997, the PSC began to anticipate the eventual restructuring and deregulation of electric and gas utilities. The Commission began to require utilities to submit transition plans to migrate their demand side management and other public benefits programs to public or private sector entities. Initially, the PSC found the draft transition plan proposed by the WPSC to be unresponsive to the Commission's directives. In light of this fact, PSC staff recommended that all energy efficiency programs operated by the WPSC be removed from the utility's control and instead be assigned to another party under a PSC-supervised competitive bidding process.

Subsequently, however, the WPSC developed a revised transition plan under which it proposed to fund DOA's administration and delivery of a pilot energy efficiency [demand side management] program for the utility's customers during 1998 and 1999. This pilot project (now referred to as "Wisconsin Focus on Energy") was developed to help assess the viability of state delivery of such programs. Also, in line with emerging PSC policies leading to the restructuring of the electric utility industry, it was anticipated that upon the conclusion of this original agreement at the end of the 1999 calendar year, the continuing provision of such energy efficiency public benefits programs would permanently transition to one or more parties other than the public utility.

Submission of the 1998 Grant Proposal to the Joint Committee on Finance. On April 24, 1998, DOA requested that the Committee approve the agency's acceptance of a two-year grant of \$16,750,000 PR from the WPSC to enable DOA to conduct a variety of energy efficiency pilot programs in the utility's service area. The WPSC grant would be credited to DOA's existing gifts and grants appropriation.

Under s. 20.907(1) of the statutes, all gifts, grants and bequests received by the state or by state agencies "shall be legal and valid" upon the express approval of the Joint Committee on Finance, unless otherwise provided by law. In general practice, however, the routine acceptance and expenditure of gift and grant funds by the state agencies has been allowed without requiring Committee approval, if certain conditions are met. These conditions are: (1) the agency has a statutory gifts and grants appropriation that permits the acceptance and expenditure of such funds; (2) the purposes for which the gift and grant funds are to be expended are consistent with the statutory authority of the agency; and (3) the proposed expenditures will be consistent with the purposes for which the gift or grant is made. Based on these general considerations, it is likely that DOA could have chosen to receive and expend the \$16.75 million WPSC grant without the prior approval of the Committee. However, because of the size of the proposed grant and the policy implications of having DOA undertake the potentially long-term administration of one or more major public benefits programs, the Secretary of DOA chose to submit the proposed grant to the Committee under s. 13.10 for its approval of the proposed expenditure.

Preliminary Committee Approval of the 1998 Agreement. At the Committee's June 4, 1998, meeting under s. 13.10, the Committee approved acceptance of the WPSC grant subject to the following conditions: (1) the receipt by the Committee of a letter from the PSC specifying that the proposed agreement and DOA's plan for the pilot project were in accordance with the PSC's final order governing the WPSC's demand side management program transition plan; (2) the receipt and approval by the Committee under a 14-day passive review process of the final contract, the

associated memorandum of understanding between DOA and the PSC and the DOA pilot plan and budget; and (3) the understanding that DOA must submit a preliminary evaluation of pilot activities to the Committee by August 1, 1999, with a final evaluation due by March 1, 2000 (or 90 days following the contract ending date, if it is extended at DOA's sole discretion from December 31, 1999, to June 30, 2000).

Following the receipt and approval of these materials, the Committee also stipulated that DOA could request up to 2.0 PR project positions under a similar 14-day passive review process in order to provide program support for the grant. In justifying any such requested positions, DOA was also directed by the Committee to attach a report indicating the results of an evaluation by DOA and the PSC of the ability of existing agency staff to administer the grant and specifying why DOA could not administer the grant using the existing personnel available within the two agencies.

Finally, the Committee adopted a statement of its intent that approval of the WPSC grant did not constitute a legislative endorsement of any future executive branch decisions or recommendations governing utility deregulation and restructuring or the delivery of public benefits programs.

Final Committee Approval of the 1998 Agreement. On July 14, 1998, DOA submitted the requested supplementary materials and justifications and simultaneously requested authorization for 2.0 PR two-year project positions in DOA to administer the grant program. On August 6, 1998, the Committee approved DOA's proposed contractual agreement with the WPSC for the delivery of energy efficiency-related public benefits programs in the counties served by the utility. The Committee also authorized the 2.0 PR two-year project positions requested by DOA for program administration. As part of this final approval action, several additional stipulations were attached such that any subsequent changes to the project that were "material and fundamental" or exceeded the lesser of \$100,000 or 10% of a specific project's original budget would have to be approved again by the Committee under a passive review process.

Elements of the Approved 1998 Agreement. As finally approved by the Committee, the grant to establish DOA's Wisconsin Focus on Energy pilot project consisted of the following budgeted major expenditure components:

Energy Efficiency Pilot Program Budget

<u>Item</u>	<u>Amount</u>
Administrative Costs	\$551,000
Energy Center of Wisconsin Contribution	1,200,000
Pilot Programs	13,324,000
Evaluation of Programs	<u>1,675,000</u>
TOTAL	\$16,750,000

DOA Administrative Costs. Grant funds of \$551,000 were earmarked to support the 2.0 PR two-year project positions and for other administrative costs.

Energy Center of Wisconsin Contribution. The terms of the contract specified that a portion of the grant funds would be used, at WPSC's request, to make the two annual contributions of \$600,000 each to the Energy Center of Wisconsin (ECW) which are normally made by the utility. The ECW is the primary administrator of utility-sponsored research, development and demonstration programs in Wisconsin.

Pilot Programs. A total of \$13,324,000 was earmarked for a variety of energy efficiency programs. Under DOA's approved proposal, the following thirteen energy efficiency programs were to be funded from the WPSC's grant during the two-year period.

<u>Program</u>	<u>Funding</u>
Multi-Sector Programs	
Standard offer (energy efficiency bids)	\$4,964,000
Energy efficiency research and development	300,000
Education and Marketing Programs	
Pilot marketing program	1,550,000
Lambeau Field energy efficiency demonstration project	100,000
Energy education and training	900,000
Residential Sector Programs	
Home energy rating system	400,000
Rental and multi-tenant energy efficiency	550,000
Water heater conversion	200,000
<hr/>	
Residential and Small Commercial Sector Programs	
Energy star products	400,000
Five star plus new construction	1,700,000
Commercial Sector Programs	
Wisconsin energy initiative - 2	760,000
Industrial Sector Programs	
Governor's industrial partnership program	500,000
Renewable Energy Sector Programs	
Customer based renewable energy	<u>1,000,000</u>
Total	\$13,324,000

Evaluation of Programs. The remaining funds of \$1,675,000, or 10% of the total grant, were earmarked for evaluation efforts. An evaluation of the pilot programs was deemed important because it would provide both guidance for the design and implementation of a full public benefits program in the future and data for evaluating programs operated by third-party providers.

At this writing, DOA has yet to submit to the Committee the required initial evaluation (due by August 1, 1999) of activities under the pilot program. In addition, it now appears that some of the grant funds provided to DOA by the WPSC will not actually be expended. Under the terms of the original agreement, any such unexpended funds must be returned to the utility and credited to its ratepayers.

IMPACT OF THE 1999 WISCONSIN ACT 9 "RELIABILITY 2000" INITIATIVE PROVISIONS ON A CONTINUING AGREEMENT

Background. Under the 1998 agreement between DOA and the WPSC, it was anticipated that the contract would "serve as a pilot program for the eventual operation, by DOA, of all utility-related public benefits program in Wisconsin." The original contract assumed that DOA would actually take on all of these public benefits program responsibilities upon the conclusion of the 1998 agreement (no later than June 30, 2000), following what was expected to be the likely adoption by the Legislature of a comprehensive utility restructuring initiative.

Act 9 Transition Provisions Governing Current Public Benefits Activities. Although not included in the Governor's original budget recommendations, the "Reliability 2000" initiative for restructuring the electric and gas utilities in the state was ultimately included in 1999 Wisconsin Act 9, the 1999-01 biennial budget act. Among other provisions, the electric and gas utility restructuring legislation established a three-year transition period (covering calendar years 2000 through 2002) during which time the utilities are to gradually phase over all of their current public benefits program provider functions (and funds) to DOA. However, under provisions of revised s. 196.374 of the statutes, the PSC is first required to determine the amount that each major electric and gas utility spent on public benefits programs during the 1998 calendar year. This figure will then become each public utility's on-going base level funding commitment, to be deposited in the new public benefits fund, for existing public benefits programs.

Act 9 requires each public utility to continue to collect through rates an amount that will be sufficient to fund this 1998 base level public benefits commitment. During the three-year transition period, a PSC order (still in development) will establish a timetable under which each public utility will spend decreasing portions of this 1998 base level funding commitment amount on its current public benefits programs. The remaining portion of the 1998 base level commitment, which is expected to increase during each year of the transitional period, must then be deposited into the public benefits fund. After the end of calendar year 2002, each utility's entire 1998 base level public benefits funding commitment will be paid entirely to the public benefits fund. [NOTE: In addition to this 1998 base level public benefits funding commitments required from the public utilities, Act 9 establishes additional, new public benefits fees that must be collected from ratepayers and also paid into the fund to support public benefits programs.]

WPSC Public Benefits Payments to DOA during the Act 9 Transition Period. Under the draft terms of the proposed new agreement between DOA and the WPSC, the utility would pay to DOA on a monthly basis, commencing January 1, 2000, (or commencing with a lump sum payment for the months from January 1, 2000, to the effective date of the agreement) the amounts that the utility spent in 1998 (as will be determined by the PSC) for all of its public benefits programs. However, the amounts remitted under the proposed agreement will not include the amounts spent for: (1) services to low-income utility customers, including low-income weatherization, arrearages and the writing off of uncollectible bills; or (2) the farm wiring (stray voltage) program. The WPSC would retain the responsibility to fund and administer (or contract for the administration of) these retained programs, while DOA would have the responsibility to administer all the remaining public benefits programs in the WPSC service area on behalf of the utility. The WPSC would be relieved of any obligation to develop or administer any of the public benefits programs that would be managed by DOA under the grant extension. [If the WPSC subsequently ends an existing contractual arrangement with the Wisconsin Energy Conservation Corporation to provide low-income weatherization programs in the WPSC service area, the utility would then begin to make payments to DOA so that it could undertake such services in the utility's service area.]

Funds received by DOA from the WPSC under the terms of the proposed extended agreement would not be considered public benefits funds that must be deposited to the new public benefits fund segregated account established under Act 9. However, once the PSC establishes a transition plan for current public benefits expenditures by electric and gas utilities, DOA would then be required to begin transferring the requisite proportionate share of the amounts being received from the WPSC to the segregated public benefits fund account. When the funds received by DOA from the WPSC are transferred to the segregated account in accordance with the transition plan, they would cease to be covered by the terms of the draft agreement. Once the funds are credited to the segregated public benefits account, they would have to be used for statewide public benefits programs and could no longer be earmarked solely for activities in the WPSC service area.

Current Funding and Staffing Considerations. The 1998 total public benefits funding commitment of the WPSC that would be subject to the provisions of the proposed agreement extension is not known with certainty at this time. An estimate prepared in March of this year by PSC staff for the WPSC's total 1998 public benefits base level expenditures set the amount at \$18.1 million, of which approximately \$14.9 million did not relate to low-income programs and, therefore, would presumably be subject to administration and delivery by DOA under the proposed agreement. The WPSC's own filings with the Commission have identified total 1998 public benefits base level expenditures by the utility at \$12.4 million, of which approximately \$9.6 million did not relate to low-income programs and would potentially be subject to administration and delivery by DOA. The PSC will have to resolve these differences and certify a final amount before payments under the proposed new agreement can be implemented. Further, absent a final determination of the amount of current public benefits program spending involved, it is not currently possible to determine the amount of funding that would be granted to DOA or the amounts that would initially be allocated for any specific public benefits program undertakings.

DOA indicates it will not be requesting an extension of the 2.0 PR two-year project positions authorized for the administration of the original 1998 agreement with the WPSC. To the extent that there would be continuing workload arising out of the proposed contract extension, it is understood that this would be addressed by reassigning current FED-supported Energy Bureau staff funded under the federal Energy Policy and Conservation Act. Any additional staff that would be required for the administration of statewide public benefits programs will ultimately have to be authorized by the Committee and would be funded from the new public benefits fund. Provisions of Act 9 created a new general program operations appropriation under DOA, funded from the public benefits fund. However, no funding or position authority was provided under this appropriation. It is expected that DOA will submit a funding and position request under s. 13.10 procedures for the necessary resources to administer its new Act 9 public benefits responsibilities. However, it should be noted that any positions authorized by the Committee under such a request could not be used to provide staff support for a continuation of the WPSC grant to DOA. Only public benefits programs of statewide scope and impact may be supported from the new Act 9 public benefits appropriation.

POSSIBLE COMMITTEE RESPONSES TO THE PROPOSED GRANT EXTENSION

Secretary Lightbourn's April 28, 2000, letter to the Co-chairs states that its purpose is to provide "notice to the Committee that DOA, upon approval of the PSC, will extend the existing contract [with the WPSC] until the end of the Public Benefits transition period." You inquired whether any Committee action is warranted in response to Secretary Lightbourn's letter. The following considerations may be relevant to determining the type of Committee response to Secretary Lightbourn's letter:

- Based on current law requirements, approval of the original grant proposal by the Committee was not required. However, DOA requested that the original grant be approved by the Committee because of the amount of funding involved and the potential policy implications DOA's assumption of the administration and delivery of public benefits programs. The Committee could argue that this previous approval action established a precedent that should continue to apply if a second grant is to be accepted by DOA and expended for public benefits program purposes.
- The original contract between the Wisconsin Public Service Corporation and the Department of Administration, which was subject to PSC regulatory jurisdiction, did not contain any provision for extension of the contract beyond June 30, 2000.
- The PSC has not yet acted, as it did for the existing agreement, to authorize either the extension of the existing agreement beyond June 30, 2000, or the execution of a new agreement.
- The PSC has not yet acted, pursuant to provisions of 1999 Wisconsin Act 9 "Reliability 2000" provisions, to specify for individual utilities their 1998 public benefits base funding level or to approve utilities' public benefits transition plans. [PSC action on these matters is anticipated on May 30, 2000.]

- The initial evaluation of the pilot project's activities (which was supposed to be submitted to the Committee by August 1, 1999) has not yet been submitted. This evaluation could have a bearing on the desirability of extending some or all of the public benefits activities funded under the original agreement.

- It is anticipated that some of the funding provided under original grant will not be spent and will be returned to WPSC.

The Co-chairs could consider the following possible courses of action in response to Secretary Lightbourn's April 28, 2000, letter:

1. As one alternative, since the letter states that it was submitted solely for the information of the Committee, you could view that communication as a courtesy notification only, requiring no Committee further action.
2. As a second alternative, whether the proposed agreement contract is viewed as an extension of the previous 1998 contract or represents a separate, new initiative, you could assert that any expenditure of grant funding in this biennium ought to be presented to the Committee for its approval, as was done for the 1998 agreement. This position could be justified on the grounds that the new grant involves a potentially large amount of funds and also has implications for how DOA will implement the new public benefits fund authorized under Act 9. This position would underscore that you believe DOA's previous decision to obtain Committee approval for such a significant expenditure and policy initiative was the correct action for the agency to take.
3. As a third alternative, you could request that any final action formalizing a new agreement between DOA and the WPSC not be taken until the Secretary has provided the Committee with the following additional information: (a) a certification that the PSC has approved the proposed agreement between DOA and the WPSC; (b) a certification by the PSC of utilities' 1998 base level public benefits expenditures and a synopsis of the appropriate public benefits transition plan applicable to the WPSC; and (c) a description and proposed budget of the existing pilot programs or additional pilot programs that would be undertaken as a result of the new grant from the WPSC.

After you have had the opportunity to review this memorandum, this office will contact you to determine what further action, if any, you wish to take in response to Secretary Lightbourn's April 28, 2000, letter advising of DOA's intention to extend a contractual agreement between it and the WPSC for the administration and delivery of public benefits programs through December 31, 2002.

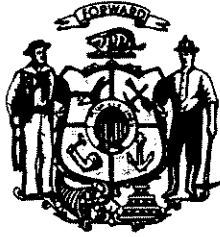
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ATTACHMENT

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON
GOVERNOR

GEORGE LIGHTBOURN
SECRETARY



Office of the Secretary
Post Office Box 7864
Madison, WI 53707-7864
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April 28, 2000

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
Room 316 South, State Capitol
Madison, WI 53702

The Honorable John Gard, Co-Chair
Joint Committee on Finance
Room 315 North, State Capitol
Madison, WI 53702

Dear Senator Burke and Representative Gard:

On August 6, 1998 the Joint Committee on Finance approved a Department of Administration (DOA) request to enter into a \$16.75 million contract with Wisconsin Public Service Corporation (WPSC) under which DOA accepted responsibility for WPSC's energy efficiency programs then being operated pursuant to Public Service Commission (PSC) regulations.

As DOA prepares to implement the requirements of 1999 Act 9 relating to Utility Public Benefits, it has become apparent that the term of this pilot project needs to be extended. The original contract envisioned a statewide program replacing the pilot at its conclusion on June 30, 2000. In fact, 1999 Act 9 creates a three-year transition period to a statewide program. During that time, DOA and the electric utilities will share responsibilities for public benefit programs. DOA will assume a growing portion of the program responsibility while the electric utilities retain a decreasing portion.

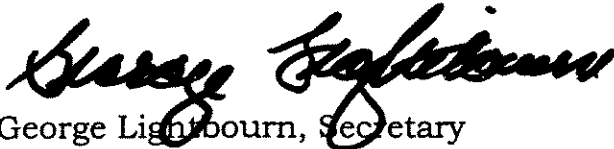
Because WPSC has contracted with DOA for delivery of its energy efficiency obligations for the past two years, the firm has asked DOA to extend that contract for the period of the transition and, in effect, manage its transition. This would allow activities not yet transferred to the Public Benefits program (which remain a WPSC responsibility) to be handled by DOA without interruption. WPSC proposes to transfer its 2000 funding obligation to DOA along with its decreasing obligations for 2001 and 2002 according to the PSC transition plan that will be approved later this year.

The result of this contract extension will be that WPSC will be able to comply with its PSC mandates without undue expense and will avoid the need to temporarily assume responsibility for programs that WPSC will simply return to DOA over the next three years.

By means of this letter, I am providing notice to the Committee that DOA, upon approval of the PSC, will extend the existing contract until the end of the Public Benefits transition period.

Please let me know if you have any questions regarding this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "George Lightbourn". The signature is written in a cursive style with a large, prominent initial "G".

George Lightbourn, Secretary
Department of Administration

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON
GOVERNOR

GEORGE LIGHTBOURN
SECRETARY



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September 15, 2000

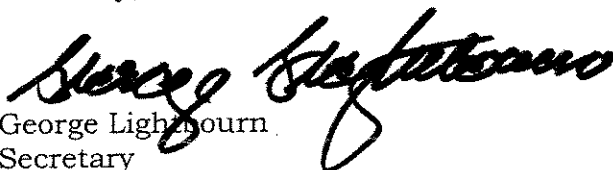
The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
Room 316 South, State Capitol
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The Honorable John Gard, Co-Chair
Joint Committee on Finance
Room 315 North, State Capitol
Madison, WI 53702

Dear Senator Burke and Representative Gard:

Pursuant to s. 46.46(2), the Department of Health and Family Services (DHFS) has submitted to the Department of Administration a plan for expenditures of \$11,237,100 of federal income augmentation funds. I have not approved the plan submitted by DHFS. Rather, the use of the income augmentation funds will be specified in the Governor's 2001-03 Executive Budget recommendations.

Sincerely,


George Lightbourn
Secretary

