Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2013 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **13-0380/1**	Introduction Number **SB-064**

Description
Renewable energy goals for state energy consumption and for energy use by certain state agencies

Fiscal Effect

State:
- ☐ No State Fiscal Effect
- ☒ Indeterminate
  - ☐ Increase Existing Appropriations
  - ☐ Decrease Existing Appropriations
  - ☐ Create New Appropriations
  - ☐ Increase Existing Revenues
  - ☐ Decrease Existing Revenues
  - ☒ Increase Costs - May be possible to absorb within agency's budget ☐ Yes ☒ No
  - ☐ Decrease Costs

Local:
- ☐ No Local Government Costs
- ☐ Indeterminate
  1. ☐ Increase Costs — ☐ Permissive ☐ Mandatory
  2. ☐ Decrease Costs — ☐ Permissive ☐ Mandatory
  3. ☐ Increase Revenue — ☐ Permissive ☐ Mandatory
  4. ☐ Decrease Revenue — ☐ Permissive ☐ Mandatory
  5. Types of Local Government Units Affected: ☐ Towns ☐ Village ☐ Cities ☐ Counties ☐ Others ☐ School Districts ☐ WTCS Districts

Fund Sources Affected
☐ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DOC 4/15/2013

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Description Renewable energy goals for state energy consumption and for energy use by certain state agencies		

Assumptions Used in Arriving at Fiscal Estimate

Under current law, the Department of Administration (DOA) is required to establish renewable energy goals for various state agencies including the Department of Corrections (DOC). By December 31, 2011 at least 20 percent of the total amount of electric energy generated or purchased by the state for power, heating, or cooling purposes for state-owned or leased facilities was to have been derived from renewable resources.

This bill would require DOA to establish new goals for various agencies including the DOC. These goals would be designed to accomplish the goal that by December 31, 2025 at least 30 percent of total annual electric energy generated or purchased by the state for power, heating, or cooling purposes for state-owned or leased facilities would be derived from renewable resources.

The DOC has over 35 state-owned facilities, and approximately 120 leased facilities located throughout the state. In order to meet a goal of 30 percent in the next 12 years, the Department would require significant renovations to our infrastructure such as installation of renewable energy sources at the institutions (solar, wind, geothermal, etc.) with a capital expense of yet to be determined proportions. Mandating this standard for state leased sites is more problematic as most state leases make the landlord responsible for providing utilities as part of the rental rate. Requiring that the landlords purchase renewable energy credits would act to increase state rent across all agencies including DOC, with few mechanisms to guarantee that the landlord is actually purchasing the renewable energy. Moreover, the price of natural gas used for electrical power has decreased by about 65% since 2008, according to the U.S. Energy Information Administration. Currently, nearly all of the DOC facilities are operated by natural gas, so the cost of conversion to alternative energy sources would have a significant impact on the DOC's budget. Finally, the DOC has examined renewal energy performance contracts and found that few of the options explored, such as wind power, solar voltaic lighting, solar thermal, and geothermal, meet the State's investment payback criteria to implement outlined in the Investment Performance Guidelines.

The DOC is unable to accurately estimate either the cost of the renovations that would be needed on its state-owned facilities or the cost increases to leased facilities that would occur if the Department needed to reach a goal of 30 percent compliance by December 31, 2015, but it would certainly have a significant impact on the Department's budget.

Most renewable energy systems require a conventional energy system as a back-up, particularly for operations that must function 24 hours per day, so investment in renewable systems does not offset the need for conventional systems. In periods where natural gas costs are at historic lows, purchase of energy from renewable sources may be significantly more expensive than routine grid purchases.

Long-Range Fiscal Implications