



# Utility Public Benefits

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# Utility Public Benefits

The development of the concept of a state-run public benefits program began to be explored in the mid-1990s with efforts to restructure the electric utility industry in Wisconsin into separate generation, transmission, and distribution entities. In the context of electric utility regulation, "public benefits" refer to certain activities that have been performed by electric (and natural gas) utilities for the public good under Public Service Commission (PSC) direction or oversight. Generally, these public benefits are activities that: (1) help make energy affordable to low-income households; (2) promote energy conservation, efficient energy systems, and renewable energy sources; and (3) evaluate and mitigate the environmental impacts of energy production and use.

It was viewed by some in the electric and natural gas industry as desirable from a competitive standpoint to shift responsibility for utility-operated, low-income and energy conservation public benefits programs from the utilities to another entity. Public policymakers also wanted to ensure that these programs that were being operated by public utilities would continue in some fashion in a deregulated utility market.

The bulk of these public benefits programs previously operated by electric and natural gas utilities are now operated by the Department of Administration (DOA) through its Division of Energy. The Division's responsibilities include the energy efficiency and renewable energy programs shifted from the utilities as well as the utilities' low-income energy assistance programs. The Division also manages separate federal grant funds for low-income energy programs. Under the state public benefits program, DOA has combined the administration of the low-income energy programs transferred from utilities with the federally funded

low-income energy programs as a single, consolidated program. This paper describes the general history of the development of a state-administered public benefits program, the sources of funding for the program, and the types of programs that are operated with these revenues.

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## Program History

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The origins of the state's public benefits programs can be traced to the development of demand side management programs operated by the state's electric and natural gas utilities. These demand side management programs varied greatly among the state's utilities but, in general, provided incentives for reducing energy consumption or increasing the amount of renewable energy resources.

Beginning in the late 1970s, the PSC started to require the state's major electric utilities to submit biennial advance plans for electric generation and transmission facilities construction in order to meet future projected electric power needs. The Commission used this advance plan approval process to establish policies and programs designed to manage both the supply of, and the demand for, electric power in the state. In the context of controlling the overall demand for electric power, the PSC encouraged individual utilities to provide a variety of energy efficiency services for their customers. The purpose of these programs was to reduce the overall rate of increase in energy demand, thereby forestalling the need for costly new power plant construction.

The state's major electric utilities began offering

these demand side management programs by the mid-1980s. Program activities included such initiatives as providing financial incentives for consumers to purchase more efficient appliances and lighting and offering technical and financial assistance to commercial and industrial customers to improve their operations. By the late 1980s, the Commission began to apply annual energy conservation goals to each utility and develop incentives to encourage third parties, rather than the utilities, to offer these types of energy conservation programs. This shift in focus was made to redesign these demand side management programs and to encourage the development of a private market for energy conservation activities that could operate separately from any on-going utility programs. By 1995, the PSC ordered most of the major utilities to begin a transitional process, whereby the utilities' demand side management programs would be shifted to one or more third parties over a several year period.

At the same time that the major electric and natural gas utilities were undertaking energy conservation programs as part of a larger demand side management strategy, a variety of utility-sponsored low-income programs also began to be offered with PSC oversight and approval. The utilities began providing weatherization assistance programs as a component of their demand side management efforts. These types of programs were first initiated in 1982 and provided financial assistance for the installation of insulation and other energy conservation measures in the homes of qualifying low-income customers. The goal of the program was to reduce these customers' energy needs, thereby making energy more affordable to them.

By the mid-1980's the PSC had ordered the major utilities to establish additional programs designed to assist low-income customers with their ability to pay energy bills. In some cases, utilities provided direct bill payment assistance for certain customers who were unable to make full payments, while other programs were preventative in nature and were designed to identify customers

with severe financial problems and to provide assistance in such matters as household budgeting. The major utilities continued to operate these types of low-income programs into the mid-1990s, a period during which these utilities began to undergo significant changes as a result of historic transformations in the organization and function of the industry.

In September, 1994, the PSC opened a formal docket to explore the costs and benefits of restructuring the electric utility industry. The Commission appointed an Advisory Committee on Electric Restructuring to study and recommend alternative industry structures. The Advisory Committee presented five restructuring options to the PSC in October, 1995.

In April, 1996, the PSC opened another formal docket on public benefits programs that the Commission found to be at risk unless an effort was made to preserve them in a restructured regulatory environment. These types of programs were: (1) energy efficiency programs; (2) services to low-income customers; (3) renewable resource development; and (4) environmental research and development. The PSC established a committee of stakeholders to study issues related to public benefits and to advise the Commission.

In order to understand the nature of the Commission's concerns, it is useful to describe the concept of "public benefits" as it applies to the utility industry.

Public utilities provide a variety of both private goods and public goods that are enjoyed by the public. The former are those products and services that are enjoyed, and paid for, by individuals. The benefits of these private goods flow only to the individuals paying for them. In the utility industry, the principal private good is the delivery of utility service to the customer. Because private goods are enjoyed by individual customers, their demand for these goods creates the incentive necessary for their commercial production.

By contrast, public goods are those goods whose value cannot be limited to individuals but instead are of value to, and are consumed by, society as a whole (for example, the availability to all members of society of reliable utility service at reasonable cost). Public goods provided by public utilities are termed public benefits. Because these public goods benefit society as a whole, they will exist only if society demands them, such as through government mandate or regulation.

Many of the public benefits that were being provided by public utilities by the mid-1990s were either the direct result of state regulation or were at least ensured by that regulation. The state's utilities were authorized to recover the costs of these activities through rates, but this action had the effect of increasing the costs of service to the utilities' customers.

In a restructured utility industry, the utilities that are currently subject to regulation are likely to be competing with new unregulated entities at the wholesale level and possibly at the retail level. In order for these new unregulated energy producers to lower their costs and compete for customers, it is reasonable to expect that most would not provide on their own initiative the same types of public benefits that the traditional regulated utilities were required to provide. Under such circumstances, it is also likely that the currently regulated utilities would seek to avoid having to provide costly public benefits that their competitors did not have to provide. Thus, for policymakers, an emerging issue in the deregulation debate became the question of who would provide and fund these public benefits, if they were no longer provided by the utilities.

In February, 1997, the PSC submitted a report to the Legislature on restructuring the electric utility industry. The report discussed the roles of the Commission and the Legislature in the restructuring process, described the Commission's existing statutory authority, indicated the steps that would require statutory changes, and presented a six-year work plan to implement the

restructuring. Under the work plan, the PSC proposed to take action on its own or seek legislation on a variety of issues, including an exploration of alternative means to promote renewable energy sources and preparing a work plan on public benefits issues.

In December, 1997, the PSC issued a statement of policy and principles relating to appropriate measures that should be undertaken to maintain or enhance the existing public benefits programs. This Commission statement was based on its review of recommendations presented by the public benefits stakeholders committee established in the preceding year. The Commission's statement indicated that public benefits were an integral part of utility regulation, and the PSC committed itself to their preservation as utility regulation began to undergo dramatic change.

The Commission's statement for the first time enunciated the scope of the public benefits that should be continued. The statement also developed preliminary estimates of the level of funding that should be provided to support these public benefits.

With respect to low-income programs, the goal should be "to increase the affordability of energy services while protecting low-income customers from the health and safety consequences of losing access to energy sources and energy efficient housing. At minimum, the current level and quality of low-income services provided by utilities and government agencies should be maintained."

The following elements should be continued in such a program: (1) increasing the energy efficiency of low-income housing through weatherization and other services; (2) bill payment assistance; (3) early identification programs to provide bill payment and budgeting services to reduce dependence on bill payment assistance; (4) energy crisis response programs; and (5) research and development to improve the activities and technologies used in other elements of the low-income programs.

The PSC initially identified an annual funding need of \$105 million for these types of programs, of which approximately \$50 million annually would be needed for weatherization and other energy efficiency initiatives. The Commission anticipated that approximately \$46 million annually would be available from the federal government for these types of programs, leaving \$59 million annually that the state might need to raise.

With respect to energy efficiency programs, the goal should be "to create a sustainable market for efficiency and conservation services, that would not need public or regulatory intervention."

The following elements should be continued in such a program: (1) facilitating the transformation of markets for energy efficiency services; (2) insuring the delivery of such services where market barriers currently exist; (3) providing consumer education; (4) promoting renewable energy technologies; and (5) performing research in support of programming and market development activities. The PSC initially identified an annual funding need of \$100 million for these programs.

With respect to renewable energy programs, the goal should be "to bring renewable energy costs down and to stimulate demand for renewable resources. Programs should concentrate on development of customer-sited renewable energy applications and small-scale, customer-sited renewable generation technologies."

The following elements should be continued in such a program: (1) research and consumer education; (2) promotion of customer-based renewable energy technologies; and (3) continued support for the renewable energy assistance program administered by DOA. The PSC initially identified an annual funding need of \$5 million for these programs.

Finally, with respect to environmental research

programs, the goal should be "to ensure that some of the environmental impacts of Wisconsin electric use continue to be addressed, directly or indirectly, by Wisconsin electricity users."

The program should include a commitment to fund a reasonable amount of research in areas that the market will not cover. The PSC initially identified an annual funding need of \$2 million for this program.

In the 1997 Legislature, two legislative proposals were advanced relating to the continuation of public benefits programs in a deregulated utility environment. However, neither proposal was enacted. Following the conclusion of the final floor period in the 1997-98 legislative session, the Joint Legislative Council established a 22-member Special Committee on Utility Public Benefits to develop draft legislation relating to the continuation of public benefits. That Special Committee first met on October 1, 1998, and continued meeting during the first several months of the 1999 Legislature.

Meanwhile, in mid-1998, the Wisconsin Public Service Corporation, an electric and gas utility headquartered in Green Bay with a 23-county Wisconsin service area, proposed to fund a two-year pilot program under which DOA would begin to administer and deliver to the utility's customers most of the demand side energy efficiency programs that the PSC required the utility to offer.

This pilot project (designated the "Wisconsin Focus on Energy") was initiated by DOA to help assess the viability of state delivery of these types of energy efficiency and conservation programs. It was anticipated that upon the conclusion of this original two-year agreement, the continued provision of these energy efficiency and other related programs would permanently transition to DOA, following what was expected to be the adoption by the 1999 Legislature of a comprehensive utility restructuring initiative.

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**1999 Wisconsin Act 9:  
"Reliability 2000"**

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Although the DOA pilot program was still underway, the Legislature incorporated a major initiative affecting public utility holding companies, electric power transmission, public benefits and other aspects to electric utility regulation into 1999 Wisconsin Act 9, the 1999-01 biennial budget act. This initiative was referred to as "Reliability 2000." Among other things, the Act 9 provisions created a statutory framework that continued and expanded public benefits programs that had historically been provided by public utilities under PSC oversight.

The Act 9 provisions created two statewide public benefits programs. One program awards grants for the following types of activities: (1) energy conservation and efficiency [demand side management] efforts; (2) environmental research and development; and (3) renewable resources development. A second program provides assistance to low-income utility customers. This type of assistance includes low-income weatherization services, payment of arrearages and the early identification and prevention of home energy crises.

The "Reliability 2000" initiative gave DOA the responsibility for administering these public benefits programs. The agency was required to design and administer these public benefits programs on a statewide basis in consultation with the Council on Utility Public Benefits. The Council on Utility Public Benefits is established under s. 15.107(17) of the statutes to advise DOA on the delivery and administration of the public benefits programs. The 11-member Council is attached to DOA. Members are appointed to three-year terms as follows: (1) two members are appointed by the Governor; (2) two members are appointed by the Senate Majority Leader; (3) one member is appointed by the Senate Minority Leader; (4) two

members are appointed by the Speaker of the Assembly; (5) one member is appointed by the Assembly Minority Leader; (6) one member is appointed by the DOA Secretary; and (7) one member is appointed by the PSC Chairperson.

DOA is required to contract with one or more nonprofit corporations to administer the energy conservation and related public benefits programs. The agency must also contract with community action agencies, nonprofit corporations or local units of government to provide the low-income public benefits services.

All of these public benefits program responsibilities were assigned to DOA on a permanent basis. However, by statute, commencing in the 2004-05 fiscal year, DOA must determine whether to continue, discontinue, or reduce any of the public benefits programs related to energy conservation and efficiency and renewable resources measures.

Because the 1999-01 biennial budget act established a state-operated public benefits program, the Legislative Council's Special Committee on Utility Public Benefit Programs permanently adjourned and made no formal recommendations regarding the establishment of such programs.

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**Funding Public Benefits**

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Under 1999 Wisconsin Act 9, a new segregated utility public benefits fund was established to support the costs of the energy conservation and renewable resources grant programs and those portions of the low-income assistance programs that were not supported by federal funds. Revenues to the new public benefits fund are primarily from two sources: (1) certain base level revenues that the public utilities continue to collect from their customers and transfer to the public

benefits fund; and (2) new fees that are collected from customers by all nonmunicipal electric utilities and remitted to the public benefits fund.

**Transferred Utility Revenue.** The major electric and natural gas public utilities in the state are required to continue to collect revenues from their ratepayers equal to the amounts that these utilities collected from customers in 1998 for utility-sponsored public benefits programs, as determined by the PSC.

In August, 2000, the PSC identified \$99,684,500 of energy conservation and efficiency and low-income assistance expenditures ("public benefits" expenditures) by Wisconsin investor-owned natural gas and electric utilities for the 1998 base year. The PSC reviewed all of these utility expenditures and identified \$32,529,400 annually of activities that were still central to utility operations and should be retained by them for in-house programs. The remaining \$67,155,100 annually was identified for transfer to the state public benefits fund. Table 1 details these 1998 base year expenditure determinations by the PSC.

Initially, the utilities were to retain the amounts identified by the PSC, but then, over a three-year transition period (calendar years 2001, 2002, and 2003), were required to transfer successively larger amounts each year to the public benefits fund. At the end of the three-year transition period, the full \$67.2 million identified by the PSC would be transferred annually (and in each year thereafter) to the public benefits fund. Table 2 identifies the annual amounts transferred by the utilities in each state fiscal year during the transitional period (2000-01 through 2002-03). Utilities now transfer \$67.2 million annually to the public benefits fund. Table 3 indicates each major utility's share of this annual amount.

**New Fees.** Act 9 also established a new public benefits fee, collected from the customers of all nonmunicipal electric utilities. (Municipal electric utilities and retail electric cooperatives must also collect new fees, but these revenues are not

**Table 1: Utility Public Benefits Base Year Funding Commitments and Transfer Requirements (1998 Expenditures as Identified by the PSC)**

	Base Year Expenditures	Annual Amounts to be Transferred
<b>Low-Income Programs</b>		
Low-Income		
Weatherization	\$8,503,500	\$8,503,500
Low-Income Uncollectables and Arrearages	16,927,700	11,823,200
Early Identification Program	<u>2,341,100</u>	<u>1,002,400</u>
Low-Income Total	\$27,772,300	\$21,329,100
<b>Energy Conservation and Efficiency Programs</b>		
Energy Conservation and Efficiency	\$69,697,400	\$45,110,400
Environmental Research and Development	1,721,100	624,500
Renewable Resources	<u>493,700</u>	<u>91,100</u>
Energy Conservation Total	\$71,912,200	\$45,826,000
All Public Benefits Total	\$99,684,500	\$67,155,100

**Table 2: Amounts Transferred to the State from Public Utilities (2000-01 to 2003-04)**

Fiscal Year	Amount
2000-01	\$7,281,900
2001-02	27,981,500
2002-03	50,357,000
2003-04	<u>67,155,100</u>
Total	\$152,775,500

**Table 3: 2003-04 Transferred Fees Invoiced to Utilities**

Public Utility	Transition Funding
WE Energies (Wisconsin Electric)	\$ 20,765,100
Alliant Energy (Wisconsin Power and Light)	15,954,000
Wisconsin Gas	12,604,200
Wisconsin Public Service Corp.	11,772,200
Xcel Energy (Northern States Power)	3,905,100
Madison Gas and Electric Co.	837,100
Superior Water Light and Power Co.	764,200
Wisconsin Fuel and Light	<u>553,200</u>
TOTALS	\$67,155,100

typically remitted to DOA for the public benefits fund but are retained by these other utilities for their own "commitment to community" programs, described below.) Seventy percent of these new fees must be collected from residential and farm customers, and the remaining 30% must be collected from commercial and industrial customers.

The fee amounts are established annually by DOA by rule [ADM 43]. The Department must set the fee level sufficient to generate \$20 million per year for energy conservation and efficiency and renewable resources programs. For low-income public benefits services, the Department was required to collect \$24 million in the initial year, but for following years, DOA was required to calculate the low-income need target.

By rule [ADM 43.04], DOA calculates this target by totaling all energy bills for households at or below 150% of the poverty level. Once the target is calculated the Department subtracts revenues received from the following offsets: (1) 50% of the amounts charged by municipal utilities and retail electric cooperatives; (2) all low-income heating assistance received from the federal government; and (3) amounts paid to the public benefits fund from transitional payments by public utilities for low-income heating assistance. Table 4 shows the amount of revenue from these new fees for the period 2000-01 through 2003-04.

**Table 4: New Fees to the State from Public Utility Customers (2000-01 to 2003-04)**

Fiscal Year	Amount
2000-01	\$24,598,600
2001-02	38,509,900
2002-03	45,992,200
2003-04	<u>40,827,200</u>
Total	\$149,927,900

Each year by March 1, DOA must advise public utilities of the fee amounts that will need to be

collected. Utilities must then submit a collection plan to the Department by April 1 showing how they plan to collect the public benefit fees and identifying reasonable and prudent expenses related to collecting these public benefit revenues [ADM 43.07].

The collection plan must show that the amounts assessed to customers are equitably allocated among all of the utility's customer classes, in accordance with the prescribed statutory allocations (70% collected from residential and farm customers and 30% collected from commercial and industrial customers). The Department must review these plans by May 1 of each year. If a proposal is rejected, then DOA must provide reasons for denial and recommended modifications in writing to the utility. The public utility may then either adopt the changes recommended by DOA or protest the Department's conclusions.

Utilities are required to identify the public benefit fees on each customer's bill as a "non-taxable fixed charge." The public utility must make 12 equal payments to the Department, with the first collection due on the 15th day of the month following the initial assessment (interest is assessed for late payments). At the end of each fiscal year, the Department is required to determine whether sufficient amounts were collected by each utility. Over-collections are credited to the next year, and under-collections are added to the following year's assessments. A public utility may request an adjustment once each year to its collection plan due to over- or under-collections.

These new public benefits fees have been collected since October 1, 2000. For residential customers in 2004-05, the fee may not exceed the lesser of 3% of the customer's bill or \$1.98 monthly. For commercial and industrial customers in 2004-05, the fees cannot exceed 3% or a monthly maximum that varies between \$2.50 and \$200 per meter, depending on the customer's class of service. Since many of these customers may have multiple meters, commercial and industrial

customers may request a refund of any fees that exceed \$750 annually (the statutory maximum for such customers) in any public utility operational area. Table 5 shows the amounts of new fees paid by customers of each public utility in 2003-04.

**Table 5: New Fees Payments by Utility -- 2003-04**

Utility Name	New Fees
WE Energies (Wisconsin Electric)	\$ 18,405,100
Alliant Energy (Wisconsin Power & Light)	7,897,200
Wisconsin Public Service Corporation	6,768,900
Xcel Energy (Northern States Power)	4,467,100
Madison Gas & Electric	2,682,300
Superior Water Light & Power	228,000
Northwestern Wisconsin Electric	172,500
Dahlberg Light & Power	109,300
North Central Power	47,700
Consolidated Water Power	20,000
Pioneer Power & Light	19,900
Westfield Electric	<u>9,200</u>
<b>TOTALS</b>	<b>\$40,827,200</b>

The fees collected by the public utilities and remitted to DOA are considered non-lapsing trust funds of the Department rather than income of the utility. Under ss. 76.28 and 76.48 of the statutes, these public benefits fees are not deemed "gross receipts" for purposes of calculating the utility taxes owed by public and municipal utilities and rural cooperatives (See: the Legislative Fiscal Bureau informational paper entitled, "Taxation and Regulation of Public Utilities" for information on utility taxes and the regulation of public utilities.)

Commencing in the 2004-05 fiscal year, the funding requirement for the energy conservation and efficiency and renewable resources portion of the public benefits fee may be adjusted, if DOA determines that some or all of the elements of this program should be reduced or eliminated.

**Municipal Utilities and Electric Cooperatives Fees (Commitment to Community Programs).** Municipal utilities and retail electric cooperatives have the option of implementing either or both of the public benefits program elements operated by DOA for their own customers or members. These

programs are termed "commitment to community" programs. These municipal utilities and retail electric cooperatives may operate such programs on their own or jointly with other such utilities. However, any customer or member receiving benefits under a commitment to community program may not also receive benefits under the DOA-operated public benefits program,

A municipal utility or retail electric cooperative may also elect not to offer either or both program elements of a commitment to community program, but instead to participate in the DOA-operated program.

Where the municipal utility or retail electric cooperative operates its own commitment to community program, it must collect fees averaging \$16 annually per meter from its customers to fund the program. The municipal utility or retail electric cooperative may charge different rates to different classes of customers to obtain this average collection, however the total increase to any customer's bill may not exceed 3% of the total of every other charge on the customer's bill, or \$750 per month, whichever is less.

A municipal utility or retail electric cooperative has the option of either retaining the fees assessed to its customers in order to support a commitment to community program in its service areas, or of forwarding these collections to DOA, if the utility participates in the DOA program. Where a municipal utility or a retail electric cooperative elects not to implement one or both of the two basic types of public benefits programs, it must remit the respective portion of the fee revenues to DOA for deposit to the public benefits fund, in which case the customers of the municipal electric utility or retail electric cooperative would be eligible for state public benefits program funds. DOA estimates that approximately \$7.4 million was collected in 2003-04 by municipal utilities and retail electric cooperatives for their commitment to community programs. Of these amounts, \$900,300 was remitted to DOA in 2003-04 by municipal electric utilities or retail electric cooperatives that

participate in the DOA public benefits programs.

According to DOA, in 2003-04, nine of the state's 24 retail electric cooperatives and six of the state's 82 municipal electric utilities had elected to participate in the DOA-operated low-income public benefits program. During this same year, 17 municipal electric utilities participated in both the DOA-operated low-income public benefits programs and the energy conservation and efficiency public benefits programs.

**Additional Funding.** In addition to the amounts transferred from public utilities and the mandatory new fees collected from public utility customers, there are two additional smaller sources of state revenue for the public benefits fund. First, voluntary contributions by utility customers may be made to the public benefits fund. Second, the State of Wisconsin Investment Board (SWIB) manages the balances in the public benefits fund and investment earnings are credited to the fund.

Utilities are required to offer customers an opportunity to make voluntary contributions, along with their regular bill payments, either to the low-income assistance component of the public benefits program or to the energy conservation and efficiency and renewable resources component of the program. Each utility must offer customers the opportunity to make such a contribution at least annually. Utilities are also free to offer this opportunity more often, if they wish. Where a customer elects to make a voluntary contribution, the additional amount is added to the customer's regular billing. DOA reports that since the

inception of the public benefits fund, there have been voluntary contributions totaling \$6,800. In 2003-04, \$2,100 was contributed.

The State of Wisconsin Investment Board is authorized under s. 25.17(1)(xm) of the statutes to invest the available balances in the public benefits fund. Since the inception of the public benefits fund, SWIB investment earnings credited to the fund have amounted to \$974,700. In 2003-04, investment earnings were \$282,400.

As described in a following section on low-income programs, the state receives federal funds for various energy programs affecting limited income households. The provisions of Act 9 establishing the public benefits program essentially viewed state public benefits funding for low-income programs and the federal low-income funding as two sources of funding for the same purpose. While the annual amount of federal low-income program funding received by the state is used as part of the formula for setting the amount of public benefits new fees that must be assessed each year from utility customers for the low-income component of the state program, the federal funds are not actually considered to be a part of the public benefits fund. The federal funds continue to be administered as a separate program.

Table 6 summarizes amount of transferred utility revenues, new fees, municipal electric utility and retail electric cooperative fees, investment earnings and individual contributions to the public benefits fund since its inception.

**Table 6: Public Benefits Fund Revenue by Source (2000-01 through 2003-04)**

Revenue Source	2000-01	2001-02	2002-03	2003-04	Total
Transferred Utility Revenue	\$7,281,900	\$27,981,500	\$50,357,000	\$67,155,100	\$152,775,500
New Fees	24,598,600	38,509,900	45,992,200	40,827,200	149,927,900
Municipal Electric and Co-op Fees	184,500	820,500	978,000	900,300	2,883,300
SWIB Investment Earnings	-11,300	380,600	323,000	282,400	974,700
Voluntary Contributions	<u>100</u>	<u>100</u>	<u>4,500</u>	<u>2,100</u>	<u>6,800</u>
<b>Total</b>	<b>\$32,053,800</b>	<b>\$67,692,600</b>	<b>\$97,654,700</b>	<b>\$109,167,100</b>	<b>\$306,568,200</b>

Public benefits fund revenues are expended for two broad categories of programs: (1) energy conservation and efficiency and renewable resources programs; and (2) low-income assistance programs. These programs are discussed in the following sections.

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### **Energy Conservation and Efficiency and Renewable Resources Programs**

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When DOA awards grants for energy conservation and efficiency and renewable resource projects, the Department must give priority to those proposals that are directed at energy conservation or efficiency markets that are the least competitive in promoting environmental protection, electric system liability, or rural economic development. Further, DOA must award at least 1.75% of the total grant amounts for environmental research and development for the electric industry. Finally, the Department must award 4.5% of the total grant amounts to proposals that encourage the development or use of customer applications of renewable resources.

Annually, beginning on December 31, 2004, DOA must submit recommendations to the Council on Utility Public Benefits on whether to continue, reduce, or discontinue any energy conservation and efficiency and renewable resource programs. The report must include a determination of whether each program has been satisfied by the private sector market. By March 1, of that fiscal year the Department must determine the appropriate amount of funding for each program.

**Vendor Solicitation.** Under provisions of s. 16.957(3)(b) of the statutes, DOA, through its Division of Energy, is required to contract with one or more nonstock, nonprofit corporations for the administration of the energy conservation and efficiency and renewable resource programs. The Department has established rules [ADM 44]

specifying the manner in which vendors may apply, the criteria for selection, and the criteria for the continuation, reduction, or discontinuation in contract amounts for programs.

The Division of Energy must provide reasonable public notice of the solicitation for grant proposals. The information must include the scope of each grant proposal, the purpose of the grant, vendor selection criteria, application procedures, and all applicable deadlines, or information on how to obtain such information.

Prior to grant solicitation, the program administrator must submit the criteria that will be used for evaluating the applications and for selecting a contractor. These criteria are used to measure: (1) compliance with the statutory requirements for energy conservation and efficiency and renewable resource programs; (2) compliance with policies and goals of the public benefits program, as issued by the DOA (3) qualifications and financial soundness that the applicant must meet; (4) technical feasibility of and quality of proposed work plan; and (5) any other factors determined relevant by DOA and the program administrator.

The program administrator has the option either of selecting a single vendor for program delivery or negotiating with several potential vendors, if such a combination would better meet the program's objectives.

Table 7 indicates the current vendors that have been selected by DOA to operate various programs of the energy conservation and efficiency and renewable resource component of the state public benefits program, the program responsibility area of each vendor, and the amounts expended by each vendor in 2003-04.

**Residential Program Descriptions.** The residential component of the energy conservation and efficiency and renewable resource grant program includes the following activities.

**Table 7: Energy Efficiency Program Expenditures by Vendor (2003-04)**

Program	Contractor	Amount
Residential	Wisconsin Energy Conservation Corporation	\$19,573,600
Business	Milwaukee School of Engineering	14,716,000
Business*	Wisconsin Energy Conservation Corporation	54,500
Renewable Energy	Wisconsin Energy Conservation Corporation	2,265,400
Environmental	Energy Center of Wisconsin	942,600
Evaluation	PA Consulting	2,223,400
Compliance	Virchow Krause	127,800
Marketing	Hoffman York	<u>926,100</u>
Subtotal		\$40,829,400
IT Consulting and DOA Operations		<u>\$824,900</u>
TOTAL		\$41,654,300

\*The Wisconsin Energy Conservation Corporation has been selected to administer the business programs in 2004-05.

*Apartment and Condominium Efficiency Services.* This program serves developers, who are building new multifamily buildings, as well as property owners, managers, and tenants of existing structures. A focus of this program is to encourage owners, management firms, developers, housing authorities, contractors and distributors to make good energy decisions when building or retrofitting these types of properties.

*Energy Star Products.* This program works with manufacturers and retailers to encourage consumers, through incentive programs or consumer education, to purchase Energy Star qualified products. These types of products are highly energy efficient appliances, heating and cooling systems, home electronics, lighting, and office equipment.

*Home Performance with Energy Star.* This program serves existing housing markets, through two primary components. First, the Building Performance Initiative operates in partnership with contractors and insulators to increase the comfort, safety, durability and energy efficiency of existing homes. Second, the Efficient Heating and Cooling Initiative operates cooperatively with manufacturers and distributors to provide training for participating contractors and rebate incentives for consumers that install high efficiency heating or

cooling equipment.

*Targeted Home Performance with Energy Star.* The program operates in partnership with both private contractors and the state's weatherization agencies to provide "whole-house" energy efficiency services and emergency furnace and water heater replacement subsidies for households that have an annual income between 150% and 200% of the federal poverty level (see Appendix II for the federal fiscal year 2004 poverty guidelines). Households with annual incomes of less than 150% of

the poverty level may also be eligible for low-income emergency furnace repair and replacement funding under the Low-Income Home Energy Assistance Program.

*Wisconsin Energy Star Homes.* This program operates with builders and their subcontractors to certify new homes that meet required standards for comfort, safety, durability and energy efficiency.

**Business Program Descriptions.** The business component of the energy conservation and efficiency and renewable resource grant program includes the following activities.

*Industrial.* This program operates to encourage industrial enterprises to install energy saving equipment and to adopt a systematic, long-term approach to use best practice energy management techniques to optimize energy usage. The program encourages customers and market providers to increase the sales of energy efficient equipment that will result in sustainable energy savings for the long-term. The program targets energy intensive industries such as forest products (pulp and paper), food processing, chemicals, plastics, metal casting, and water and wastewater plants.

*Commercial.* This program operates to encourage commercial businesses to market energy

efficient products and services. Targeted sectors include: grocers, the hospitality industry (lodging and restaurants), and health care providers (hospitals, nursing homes, and clinics.)

*Schools and Local Government.* This program operates to inform building administrators for local units of government, public and private primary and secondary schools, and technical and private colleges about energy usage and to encourage the purchasing of energy efficient equipment and products.

*Agriculture and Rural Businesses.* This program operates to install energy efficient equipment in dairy operations, cash crop operations, and rural agribusinesses practices. The program works with customers, distributors, and other service providers.

*Energy Efficient Products and Services.* This program operates to encourage economic development by providing incentives to Wisconsin manufacturers to engage in energy efficient production, distribution, and purchasing practices.

**Renewable Energy Program.** Under the renewable energy component of the energy conservation and efficiency and renewable resource grant program, DOA must award 4.5% of the funding available under this component of the public benefits program to projects that encourage the development or use of customer applications of renewable resources in Wisconsin.

Typically, grants are made to provide business and marketing incentives for new renewable energy companies; support product or process feasibility studies, support demonstration projects, provide research and development seed money; and support education and training events.

The renewable energy program has a residential and a nonresidential focus. The residential renewable energy technologies that have been supported include demonstrations of solar (photovoltaic), thermal, and wind energy

applications. The nonresidential renewable energy technologies that have been supported include solar water heating, biomass, thermal, solar, wind, and hydroelectric energy production applications.

**Environmental Research and Development Program.** Under the environmental research and development component of the energy conservation and efficiency and renewable resource grant program, DOA must award 1.75% of the funding available under this component of the public benefits program to projects that promote such activities in the electric industry. Typically, this funding is awarded for research on the environmental impacts of electric generation and distribution. Other types of research funded under this component of public benefits have been studies of ways to improve on current designs to mitigate the environmental impact of electric generation and distribution.

With respect to this program, DOA has developed funding priorities for projects that study: (1) the effects of electrical generation on human health (such as, measuring and monitoring mercury, fine particulates, and hazardous air pollutants); (2) the effects of greenhouse gases; (3) the impacts of energy facility siting (such as, new wind and biomass generation facilities); and (4) the environmental monitoring of pollutants.

**Other Programs.** Funding is also provided under the energy conservation and efficiency and renewable resource grant program for evaluation, marketing, and compliance activities.

An evaluation component monitors the reported program impacts of the various energy conservation programs being funded by the public benefits program. The purpose of this evaluation is to verify that reported energy and cost savings have been achieved. Additional information of this activity is provided below in the discussion of program outcomes.

A marketing component provides customer communications services, advertising, and general

information relating to the energy conservation and efficiency and renewable resource program. The vendor also engages in a variety of market research activities.

A compliance component provides independent financial audit services of each contracted program administrator.

**Program Outcomes.** The energy conservation and efficiency and renewable resource component of the public benefits program has been in place such that meaningful energy and cost savings can be tabulated over a three-year period (2001-02 through 2003-04).

The Department, along with the evaluation and market research vendors, has sought to develop methods by which the benefits provided through the various energy conservation and efficiency and renewable resource projects may be evaluated. The Department has attempted to measure a variety of potential benefits, including: (1) improvements to the energy efficiency and reliability in the state, (2)

reductions in the environmental impact of energy usage; and (3) secondary societal benefits.

*Improvements to Energy Efficiency and Reliability.*

The Department, through its evaluation contractor, has developed measures of verified energy savings that have resulted from the original installation of energy efficient equipment, the replacement of old equipment with more energy efficient equipment, or other actions as a result of programs undertaken under this component of the public benefits program. For 2003-04, for example, the evaluator estimated that 211,782 participants used 235,587,400 fewer kilowatt hours of electric energy and 9,816,300 fewer therms of natural gas, resulting in annual savings of \$26,559,100 for heating and electricity billings. The evaluation consultant anticipates that these energy efficiency improvements to homes and businesses will likely have a lifespan of seven to 20 years, depending on the improvement. Consequently, the estimated savings are likely to continue for each year of the improvements useful life. Table 8 summarizes these savings over the three-year period.

**Table 8: Estimated Energy Savings From the Energy Conservation and Efficiency and Renewable Resource Component of The Public Benefits Program (2001-02 Through 2003-04)**

Program	Number of Participants	Kwh Savings	Value of Kwh Saved	Therm Savings	Value of Therm Saved	Total Value
<b>2001-02</b>						
Business	1,180	30,501,000	\$1,732,500	1,663,900	\$1,310,800	\$3,043,300
Residential	58,650	25,467,400	2,297,200	1,009,800	938,800	3,236,000
Renewable Energy	<u>1</u>	<u>545</u>	<u>100</u>	<u>0</u>	<u>0</u>	<u>100</u>
Total	59,831	55,968,945	\$4,029,800	2,673,700	\$2,249,600	\$6,279,400
<b>2002-03</b>						
Business	6,421	128,819,000	\$6,506,900	6,175,800	\$3,523,000	\$10,029,900
Residential	147,448	87,32,700	7,876,500	1,826,400	1,698,000	9,574,500
Renewable Energy	<u>26</u>	<u>3,714,300</u>	<u>335,000</u>	<u>1,700</u>	<u>1,600</u>	<u>336,600</u>
Total	153,895	219,856,200	\$14,718,400	8,003,900	\$5,222,600	\$19,941,000
<b>2003-04</b>						
Business	11,804	134,946,700	\$7,665,000	12,527,200	\$8,039,700	\$15,704,700
Residential	199,921	100,223,100	9,040,100	1,716,800	1,596,200	10,636,300
Renewable Energy	<u>57</u>	<u>417,600</u>	<u>37,700</u>	<u>194,000</u>	<u>180,400</u>	<u>218,100</u>
Total	211,782	235,587,400	\$16,742,800	14,438,000	\$9,816,300	\$26,559,100

*Reductions to Pollutants.* For slightly more than two of the three-year period identified in Table 8, the independent evaluation contractor has also sought to measure the cumulative air and water quality benefits that have resulted between April 1, 2001, and June 30, 2004, from the identified reduction in electric generation and natural gas consumption. The estimated reductions in carbon dioxide (CO<sub>2</sub>), nitrogen oxides (NO<sub>x</sub>), sulfur oxides (SO<sub>x</sub>), and mercury (Hg) for this three-year period are summarized in Appendix I.

*Secondary Benefits.* Finally, the contractor has attempted to quantify secondary benefits of the investments in business and residential public benefit programs during the three-year period covered from June 1, 2001, to June 30, 2004. The study attempted to quantify the value of factors such as improved health, reduced repair and maintenance, reduced waste production at businesses, increased productivity, reductions in mold in the home, increased property values, and reductions in water and sewer bills (from more efficient appliances). These additional secondary benefits over this three-year period have been estimated at \$21,464,600 for business programs and \$4,954,400 for residential programs.

**Transfers from the Public Benefits Fund.** The operation of the energy conservation and efficiency and renewable resource component of the state-run public benefits program has been impacted in recent year by budgetary decisions that have directed the transfer of portions of the fund dedicated to such activities to the state's general fund. The amounts transferred and the purposes of the transfers are listed below:

*2003 Wisconsin Act 1.* Under 2003 Wisconsin Act 1, \$8,365,600 in 2002-03 was transferred to the state's general fund from public benefits fund that supported energy conservation and efficiency and renewable resource programs.

*2003 Wisconsin Act 33.* Under 2003 Wisconsin Act 33, the following amounts that supported energy conservation and efficiency and renewable

resource programs were transferred, as follows: (1) \$17,600,000 in 2003-04 and \$20,000,000 in 2004-05 to fund county and municipal aid payments; and (2) \$9,468,800 in 2004-05 to fund earned income tax credits.

These reallocations required DOA to adjust the amounts that otherwise would have been available to a many of the energy conservation-related programs funded from this component of the public benefits fund. Of the \$8,365,600 in 2002-03 that was transferred from public benefits to the general fund under 2003 Wisconsin Act 1, a reduction of \$1,700,000 was applied to the amounts that had been budgeted for the marketing program and the remaining \$6,665,600 was applied to a 2001-02 carryover balance in this component of the fund.

Of the \$17,600,000 in 2003-04 that was transferred under reductions directed by Act 33, reductions were applied to the following programs: (1) \$7,038,200 was deleted from business programs; (2) \$4,422,800 was deleted from residential programs; (3) \$4,245,900 was deleted from evaluation, marketing, compliance, and other administrative functions; (4) \$1,635,000 was deleted from unprogrammed funding; (5) \$224,000 was deleted from environmental research and development programs; and (6) \$34,100 was deleted from renewable resource programs.

Of the \$29,468,800 in 2004-05 that must be transferred, the required reductions to energy conservation-related programs are being applied as follows: (1) \$10,733,500 is being deleted from business programs; (2) \$6,261,500 is being deleted from residential programs; (3) \$6,520,800 is being deleted from evaluation, marketing, compliance, and other administrative functions; (4) \$5,040,800 is being deleted from unprogrammed funding; (5) \$532,400 is being deleted from environmental research and development programs; and (6) \$379,800 is being deleted from renewable resource programs.

Table 9 summarizes the revenues and

expenditures to the state-funded public benefits fund for the period 2001-02 through 2003-04. The table shows for both the energy conservation and efficiency and renewable resource component of the program and the low-income component of the public benefits fund. Revenues include amounts received from utility transition payments, new fee collections, and minor miscellaneous receipts. Expenditures are by major program component. The table identifies the amounts that were transferred to the general fund in 2002-03 and 2003-04. The program elements of the energy conservation-related component of the public benefits program have already been adjusted in those fiscal years to reflect these transfers.

**TABLE 9: Revenues and Expenditures of the Public Benefits Programs (2001-02 through 2003-04)**

**Low-Income Assistance Programs**

	2001-02	2002-03	2003-04
<b>Revenues</b>			
Beginning Balance	-\$2,851,000	-\$3,780,100	\$262,800
Transitional Funds	4,663,800	12,953,700	21,328,400
New Fees	22,700,600	29,239,300	24,548,700
Municipals and Cooperatives	690,200	809,000	776,200
Investment Pool	0	0	200
Voluntary Contributions	<u>0</u>	<u>2,300</u>	<u>100</u>
Total Revenues	\$25,203,600	\$39,224,200	\$46,916,400
<b>Expenditures</b>			
Weatherization	\$12,824,800	\$24,657,200	\$30,850,500
Heating Assistance	13,585,700	11,070,500	8,272,600
Crisis Program	1,585,200	2,130,300	3,476,100
County and State Administration	<u>988,000</u>	<u>1,103,400</u>	<u>1,184,700</u>
Total Expenses	\$28,983,700	\$38,961,400	\$43,783,900
Year-End Balance	-\$3,780,100	\$262,800	\$3,132,500

**Energy Conservation-Related Programs**

**Low-Income Assistance Programs**

	2001-02	2002-03	2003-04
<b>Revenues</b>			
Beginning Balance	\$13,712,700	\$27,766,600	\$20,973,100
Transitional Funds	23,317,800	37,403,300	45,826,600
New Fees	15,809,300	16,752,900	16,278,500
Municipals and Cooperatives	130,300	168,900	124,200
Investment Pool	380,600	323,000	282,200
Voluntary Contributions	<u>100</u>	<u>2,300</u>	<u>2,000</u>
Total Revenues	\$53,350,800	\$82,417,000	\$83,486,600
<b>Expenditures</b>			
Residential	\$10,986,900	\$22,077,400	\$19,573,600
Business	9,649,600	21,035,100	14,770,500
Administration*	3,927,200	7,048,900	4,102,200
Renewable Resources	892,900	2,513,900	2,265,400
Environmental Research and Development	<u>127,600</u>	<u>402,900</u>	<u>942,700</u>
Subtotal of Expenses	\$25,584,200	\$53,078,200	\$41,654,400
Required Transfers	\$0	\$8,365,600	\$17,600,000
Total Expenses	\$25,584,200	\$61,443,800	\$59,254,400
Year-End Balance	\$27,766,600	\$20,973,200	\$24,232,200

\*Includes compliance, evaluation, marketing and information technology.

Under s. 16.957(1) of the statutes, the low-income components of the public benefits program are defined as those activities that provide assistance to low-income households for weatherization and other energy conservation services, including aid in payment of energy bills or early identification and prevention of an energy crisis. A low-income household is defined as any individual or group of individuals living together as a single economic unit in which residential electricity is customarily purchased in common and whose household income is less than 150% of the federal poverty level. [See Appendix II for the 2004 federal fiscal year poverty level guidelines.] According to the 2000 U.S. Census, 16% of Wisconsin residents were at or below 150% of the federal poverty level.

The Department has specified by rule [ADM 45] that any person or household that is eligible to receive fuel payment assistance, early identification crisis assistance, weatherization or conservation services, or Low-Income Home Energy Assistance is automatically eligible for the low-income assistance provided through the public benefits program

Individuals who are currently not eligible for state low-income assistance from the state public benefits fund include: (1) individuals who receive low-income assistance from a municipal electric utility or retail electric cooperative that operates its own commitment to community program; and (2) a person who is imprisoned or placed in a secure correctional facility or secured child-caring institution.

DOA has stated that its long-term goal for providing low-income assistance is to improve a household's ability to make full and timely payments of energy bills over an extended period of time without resorting to unsustainable methods of payment.

The Department, in consultation with its Council on Utility Public Benefits, must annually announce new or continued public benefits low-income assistance programs. The Department must publicize information on application procedures and program eligibility criteria. Currently, low-income assistance for public benefits-funded programs is provided under the same application for a federal award for the Low-Income Home Energy Assistance Program. DOA must approve or deny any application for assistance within 45 days of receipt of the completed form.

**Low-Income Home Energy Assistance Program.** The Low-Income Home Energy Assistance program (LIHEAP) is established under s. 16.27 of the statutes. This program provides cash benefits and services in the form of heating assistance and crisis assistance to low-income households. For households applying for LIHEAP crisis assistance benefits, a household must have an

income of not more than 150% of the federal poverty level during any of the following time periods: the three months immediately prior to applying for benefits; the month preceding the application; or the current month

Households in which all members are recipients of either temporary assistance to needy families (TANF), supplemental security income (SSI) or food stamps are categorically eligible for both heating and crisis assistance. State law does not currently provide that Wisconsin Works (W-2) recipients are categorically eligible for LIHEAP benefits. However, most W-2 recipients will qualify for benefits because of their having incomes of not more than 150% of the federal poverty level.

Funding for LIHEAP comes primarily from federal block grant allocations to the state. During the 2000-01 state fiscal year, the Department of Administration also began to receive additional funds under the state public benefits program. A total of \$11.7 million in 2003-04 and an estimated \$13.8 million in 2004-05 has been allocated from this source.

Table 10 shows the federal funding provided for LIHEAP, including any federal supplements, for the last 10 federal fiscal years. Table 11 shows the public benefit funding provided to LIHEAP for customer assistance (excluding administrative

**Table 10: LIHEAP Federal Funding (\$ in Millions)**

FFY	Amount*
1996	\$33.1
1997	31.1
1998	31.1
1999	33.5
2000	33.5
2001	68.6
2002	50.8
2003	58.7
2004	54.7
2005 (est.)	56.8

\*Amounts are net of transfers to the weatherization program.

**Table 11: LIHEAP Public Benefit Funding (\$ in Millions)**

Fiscal Year	Amount
2000-01	\$11.0
2001-02	15.2
2002-03	13.2
2003-04	11.7
2004-05 (est.)	13.8

expenditures) by state fiscal year.

In some years, the state has also received federal TANF matching funds, federal supplements and state oil overcharge restitution funds for the LIHEAP program. By state statute, 15% of LIHEAP's federal funding is transferred to the state weatherization program each federal fiscal year. However, starting in 1993, a portion of that 15% transfer amount has been retained for the LIHEAP emergency furnace repair and replacement program.

*Heating Assistance Program.* The heating assistance component of LIHEAP provides eligible low-income households with a cash benefit to assist the household in meeting its energy costs. The heating benefit is generally provided once a year as a benefit payment for each heating season (October 1 through May 15). Heating assistance benefit payments are generally issued as a direct payment to the utility or as a two-party check to the applicant and the applicant's fuel provider. The actual amount of the heating assistance benefit depends on the household's size, income level and actual heating costs. The benefit amount is determined by a formula, which yields proportionately higher payments for households with the lowest income levels and the highest annual heating costs.

Table 12 provides caseload data and the average amount of benefits paid to persons receiving heating assistance since FFY 1995.

**Table 12: Heating Assistance Program Caseload**

FFY	Caseload	Average Benefit
1995	117,466	\$306
1996	109,869	279
1997	102,855	291
1998	92,270	276
1999	87,057	244
2000	88,105	355
2001	115,881	470
2002	117,326	307
2003	131,707	387
2004	134,840	269

*Crisis Assistance Program.* The crisis assistance component of LIHEAP provides limited cash assistance and services to households that experience a heating emergency (such as a furnace failure) or are at risk of experiencing a heating emergency (such as denial of future fuel deliveries). The program provides both emergency and proactive services. Program administrators work with county social service agencies to provide these services to eligible households. Under s. 16.27(3) of the statutes, \$3.2 million annually of the total available LIHEAP funding is allocated for crisis assistance payments. DOA, with the approval of the Joint Committee on Finance, may allocate funding from regular LIHEAP benefits to the crisis assistance program. In FFY 2004, the crisis assistance program received an additional \$5.2 million from supplemental federal emergency grant funds and from additional allocations authorized by the Joint Committee on Finance.

Crisis assistance is available only if the agency administering the benefits determines that there is an immediate threat to the health or safety of an eligible household due to the actual or imminent loss of essential home heating. The amount of crisis assistance that a household receives is based on the minimum assistance required to remove the immediate threat to health and safety. Some form of crisis assistance must be provided within 48 hours of application or within 18 hours if the situation is life-threatening.

Emergency crisis services include providing heating fuel, a warm place to stay for a few days, or other actions that will assist a household experiencing the heating emergency. In-kind benefits such as blankets and space heaters may also be provided.

Another component of crisis assistance intervention is the provision of on-going services for eligible households designed to minimize the risk of heating emergencies during the winter months. These types of activities include providing eligible households with training and information on how to reduce fuel costs and counseling on establishing budgets and money management. In addition, LIHEAP may assist persons in setting up a co-payment plan that would provide payments to fuel suppliers.

*Emergency Furnace Repair and Replacement Program.* In addition, LIHEAP provides emergency furnace repair or replacement service as part of the crisis assistance program. Under this program, services are provided to households experiencing a heating crisis. Services provided consist of having a heating contractor inspect the household's furnace to determine if repair or replacement of the heating unit is a reasonable solution to the emergency. The furnace must be replaced rather than repaired if: (1) the furnace is less than 15 years old, not electric, and the repair costs exceed \$500; (2) the furnace is more than 15 years old, not electric, and repair costs will exceed \$250; or (3) the furnace is electric and repair costs will exceed \$250. Finally, if furnace replacement costs are expected to exceed \$3,500, approval by DOA is required to replace the furnace. In addition, DOA must also approve the replacement of any wood-burning furnace that costs in excess of \$2,000. The number of households receiving services and the average emergency furnace service benefit provided since FFY 1995 is summarized in Table 13.

**Table 13: Emergency Furnace Repair and Replacement**

FFY	Caseload	Average Benefit
1995	1,476	\$1,392
1996	1,362	1,306
1997	1,248	1,323
1998	1,205	1,303
1999	1,266	1,362
2000	1,397	1,295
2001	1,905	1,291
2002	1,762	1,322
2003	2,083	1,314
2004	1,912	1,302

**Low-Income Weatherization Program.** The Low-Income Weatherization Program is established under s. 16.26 of the statutes. The program provides weatherization services to help reduce high-energy costs in homes occupied by low-income families.

The program has been funded from four sources: (1) funds the state receives from the federal Department of Energy (DOE) under the weatherization assistance for low-income persons program; (2) an allocation of 15% of the funds received by the state under the LIHEAP bloc grant; (3) allocations that have occasionally been made from oil overcharge restitution funds; and (4) funds from the state public benefits program. For 2003-04, expenditures totaled \$47,381,100 (\$8,364,600 from DOE weatherization assistance; \$7,949,100 from LIHEAP funds; \$82,400 from oil overcharge funds; and \$30,985,000 from public benefits). Table 14 indicates the amounts budgeted under the

**Table 14: Low-Income Weatherization Program – Funding Sources**

Fiscal Year	FED (DOE)	FED (LIHEAP)	State (Oil Overcharge)	Utility Public Benefit	Total
1996	\$6,941,400	\$6,380,100	\$16,200	N.A.	13,337,700
1997	5,168,500	6,575,600	422,000	N.A.	12,166,100
1998	4,333,800	5,324,300	1,128,400	N.A.	10,786,500
1999	4,538,600	4,967,800	401,700	N.A.	9,908,100
2000	5,274,700	5,206,800	725,100	\$0	11,206,600
2001	4,296,700	6,333,300	43,100	6,256,300	16,929,400
2002	4,997,000	11,496,200	35,300	12,959,300	29,487,800
2003	8,217,900	6,206,300	312,700	24,791,600	39,528,500
2004	8,364,600	7,949,100	82,400	30,985,000	47,381,100

program, by funding source, for the last ten program years. The amounts listed include the state costs related to administration of the program.

The Division of Energy administers the program through contracts with community action agencies and local governments. These agencies seek out eligible households, verify eligibility, determine the types of work on each dwelling that will provide the greatest energy savings for the cost and hire and supervise employees to install weatherization materials.

Typical weatherization services provided under the program include attic, sidewall and floor insulation, repair or replacement of furnaces, water heater insulation, and water heater, refrigerator and window replacements. Under the program, services are offered to families or individuals with household incomes of up to 150% of the federal poverty level. Both homeowners and renters are eligible for the weatherization services at no cost. However, a 15% contribution is required in rental property where the property owner pays heating

costs. Local program operators give priority under the program to homes occupied by elderly and the disabled and houses with high-energy consumption.

Table 15 lists the number of dwelling units weatherized and shows the average costs of such services under this program during each of the past ten program years.

**Table 15: Low-Income Weatherization Program**

Program Year	Units Weatherized	Avg. Cost Per Unit
1995	6,126	\$2,551
1996	4,575	2,650
1997	4,529	2,700
1998	3,860	2,800
1999	6,350	2,800
2000	3,153	3,824
2001*	4,923	5,801
2002	4,928	5,738
2003	6,726	5,687
2004	8,048	5,366

\* In 2001 the weatherization program was changed to run during the state fiscal year (July 1, through June 30).



## APPENDIX I

### Emissions Savings Program to Date (April, 2001 - June 30, 2004)

	<u>Verified Gross</u>		<u>Emissions Reductions (Pound)*</u>			
	MWh	Therms	Nox	Sox**	CO <sub>2</sub>	Mercury
<b>Business</b>						
Commercial	86,428	2,817,485	520,816	1,054,595	224,512,316	4.226
Industrial	141,646	12,030,086	927,680	1,728,797	454,734,717	6.926
Industries of the Future	14,262	1,239,807	93,690	174,067	46,119,624	0.697
New Buildings	143	18,049	996	1,746	528,206	0.007
Production Agriculture	18,762	122,394	108,165	228,898	43,008,567	0.917
Renewable Energy	0	1,009,155	10,092	61	11,815,190	0
Schools and Government	<u>33,027</u>	<u>3,129,953</u>	<u>219,553</u>	<u>403,115</u>	<u>109,832,998</u>	<u>1.615</u>
Subtotal	294,267	20,366,928	1,880,991	3,591,279	890,551,617	14.39
<b>Residential</b>						
Apartment and Condo Efficiency	25,003	1,681,399	159,328	305,132	75,091,421	1.223
ENERGY STAR Reward	162,190	681,984	931,306	1,978,765	367,398,807	7.931
Existing Homes	22,954	1,590,826	146,747	280,136	69,491,830	0.122
Targeted Home Performance	809	250,253	7,117	9,891	4,723,787	0.04
New Construction	<u>2,057</u>	<u>348,521</u>	<u>15,208</u>	<u>25,111</u>	<u>8,637,810</u>	<u>0.101</u>
Subtotal	213,013	4,552,983	1,259,705	2,599,035	525,343,656	10.416
Renewable Energy	<u>4,132</u>	<u>195,728</u>	<u>25,512</u>	<u>50,427</u>	<u>11,449,055</u>	<u>0.202</u>
<b>GRAND TOTALS</b>	511,413	25,115,639	3,166,208	6,240,741	1,427,344,328	25.008

Source: PA Government Services, Incorporated

\*Emission reductions are calculated using the marginal cost emission rates.

\*\*Wisconsin investor-owned utilities are included in the federal SO<sub>2</sub> regulatory structure of the Clean Air Act (acid rain provision). In this cap-and-trade system SO<sub>2</sub> emissions cannot be considered reduced or avoided unless EPA lowers the SO<sub>2</sub> cap.

## APPENDIX II

### Federal Poverty Guidelines - 150% of Poverty Level

(FFY 2004)

Family Size	Poverty Level
1	\$13,965
2	18,735
3	23,505
4	28,275
5	33,045
6	37,815
7	42,585
8*	47,355

\*Add \$4,770 for each person over eight.

### Federal Poverty Guidelines - 200% of Poverty Level

(FFY 2004)

Family Size	Poverty Level
1	\$18,620
2	24,980
3	31,340
4	37,700
5	44,060
6	50,420
7	56,780
8**	63,140

\*\*Add \$6,360 for each person over eight.