



Department of Administration's
Energy Services

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Under current law, most low-income energy assistance programs are operated by the Department of Administration (DOA) through its Division of Energy, Housing and Community Resources. This paper describes funding and operations for the low-income energy assistance programs administered by the Division that are supported from both federal funds and the state segregated utility public benefits fund. The appendix to this paper describes the general history of the state-administered public benefits program for energy services.

Low-Income Assistance Programs

Low-income assistance is defined by statute 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 does not exceed 60% of the statewide median household income. In 2017-18, the guideline is equivalent to \$51,155 annually for a household of four. Table 1 provides income eligibility guidelines for the programs in 2017-18.

Using 2017 census data and using 60% of statewide median household income (SMI), it is estimated that 686,300 state households are eligible for low-income assistance, an increase of approximately 2.6% from 2015 figures. Low-income assistance programs administered by the Division have non-financial eligibility requirements in addition to the income eligibility

Table 1: Income Guidelines - 60% of Statewide Median Household Income (2017-18)

Family Size	One Month	Three Month	Annual Income
1	\$2,217	\$6,650	\$26,601
2	2,899	8,696	34,785
3	3,581	10,743	42,970
4	4,263	12,789	51,155
5	4,945	14,835	59,340
6	5,627	16,881	67,525
7	5,755	17,265	69,059
8	5,883	17,648	70,594

requirement of 60% of SMI. The Department has specified by rule that any person or household that is eligible to receive federally funded fuel payment assistance, early identification crisis assistance, weatherization or conservation services, or low-income home energy assistance (described below) is automatically eligible for the low-income assistance provided through the state's public benefits program. State and federal funds for low-income energy assistance and weatherization are administered by the Division's Home Energy Plus Bureau.

Individuals who are not eligible for state low-income assistance from the state public benefits fund include: (a) individuals who are eligible to receive low-income assistance from a municipal electric utility or retail electric cooperative that operates its own commitment to community program; (b) individuals who live in government-subsidized housing or receive rental assistance (not including Section 42 housing) if the cost of energy is included in the rent or otherwise not paid by the applicant in full; or (c) an individual who resides in a correctional facility, hospital, or other governmental care facility.

The Department must annually announce new

or continued low-income assistance programs, and 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 federally funded benefits from the federal Low-Income Home Energy Assistance Program. The approving authority (designated local agencies that serve counties or tribes) must approve or deny any application for assistance within 45 days of receipt of the completed form.

Low-Income Home Energy Assistance Program. The Wisconsin Home Energy Assistance program (WHEAP) provides cash benefits and services in the form of energy assistance and crisis assistance to low-income households. For households applying for either of these benefits, a household must meet the income requirements during the three months immediately prior to applying for benefits. In emergency situations, crisis assistance benefits may be approved if the income requirements are met for the month preceding the application or the current month.

Households are categorically eligible for energy assistance, crisis assistance, and emergency furnace repair and replacement if all members of the household are recipients of: (a) Wisconsin Works (W-2) assistance (Wisconsin's temporary assistance for needy families program) in the form of a cash grant; (b) FoodShare (food stamps) benefits; or (c) supplemental security income (SSI) in each of the three preceding months.

Under 2009 Wisconsin Act 28, the statutes specify that any household that has at least one person eligible for FoodShare benefits would receive a federal low-income home energy assistance program (LIHEAP) benefit. If the household was eligible for LIHEAP only because of this provision, and was not otherwise categorically eligible, then the household could receive no more than \$1. The purpose of this provision, which was created under Act 28, was to permit FoodShare recipients who would otherwise not receive energy

assistance to receive a minimal benefit that would increase their federal FoodShare benefit. Prior to the 2014 federal farm bill, federal law allowed households that receive at least \$1 of LIHEAP benefits to deduct from their gross income the maximum standard utility allowance, associated with heating and cooling expenses, which would result in a higher FoodShare benefit. Under the 2014 farm bill, federal law was changed to provide this deduction only for households with more than \$20 in annual LIHEAP benefits. Therefore, the Act 28 provision no longer provides for an increase in FoodShare benefits for households that would otherwise not receive energy assistance. FoodShare applicants may continue to receive the heating and cooling standard utility allowance by providing proof that the household is obligated to pay or is actually paying for heating costs.

The Department of Administration receives funds under the state public benefits program, operated through a segregated fund, to support the costs of the low-income energy assistance programs. The state public benefits program is discussed in the following section. As shown in Table 2, a total of \$49.5 million in FY 2017-18 was expended from the state public benefits program

Table 2: WHEAP Public Benefit Expenditures

Fiscal Year	Amount*
2003-04	\$11,748,700
2004-05	15,792,400
2005-06	34,005,400
2006-07	23,261,500
2007-08	41,912,100
2008-09	42,743,400
2009-10	33,855,800
2010-11	41,967,000
2011-12	45,190,200
2012-13	55,508,300
2013-14	47,716,200
2014-15	41,332,800
2015-16	44,724,400
2016-17	53,110,300
2017-18	49,506,300

*Beginning in 2013-14, emergency furnace repair and replacement is funded under the weatherization program.

for low-income energy assistance and crisis assistance.

Table 3 shows federal funding expended for LIHEAP, including federal supplements and TANF matching funds, by state fiscal year since 2003-04. In some years, the state has received federal TANF matching funds or federal supplements for LIHEAP use. By statute, if the federal funds received in a federal fiscal year total less than 90% of the amount received in the previous federal fiscal year, a plan of expenditures must be submitted to the Joint Committee on Finance as part of the process governing the acceptance of federal funds under s. 16.54 of the statutes.

By state statute, 15% of federal LIHEAP funding is transferred to the state weatherization program each federal fiscal year. However, from 1993 to 2013, a portion of that 15% transfer amount was retained for the WHEAP emergency furnace repair and replacement program. Beginning in 2013-14, emergency furnace repair and replacement is funded under the weatherization program.

Energy Assistance Program. The energy assistance component of WHEAP provides eligible low-income households with a cash benefit to assist the household in meeting its energy costs. The benefit is generally provided once a year as a benefit payment for each heating season (October 1 through May 15). Some households receiving energy assistance are provided both a heating benefit and a non-heating electric benefit. These 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 benefit depends on the household's size, income level and actual home energy 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 home energy costs.

Table 4 provides caseload data and the average amount of benefits paid to persons receiving the heating component of energy assistance since federal fiscal year (FFY) 2004.

Table 3: Low-Income Home Energy Assistance Program Federal Expenditures

Fiscal Year	Amount*
2003-04	\$54,153,400
2004-05	64,600,200
2005-06	73,618,500
2006-07	72,762,800
2007-08	90,653,500
2008-09	110,771,400
2009-10	128,956,200
2010-11	124,640,000
2011-12	93,157,300
2012-13	88,741,100
2013-14	91,930,700
2014-15	73,808,000
2015-16	78,984,300
2016-17	107,321,600
2017-18	91,463,800

*Amounts are net of transfers to the weatherization program. Beginning in 2013-14, emergency furnace repair and replacement is funded under the weatherization program.

Table 4: Federal Heating Assistance Caseload

FFY	Caseload	Average Benefit
2004	134,840	\$269
2005	137,622	314
2006*	152,062	439
2007	145,843	260
2008	155,140	437
2009	173,012	514
2010**	214,203	490
2011	226,380	454
2012	214,965	348
2013	214,531	336
2014	224,730	302
2015	209,208	266
2016	199,190	341
2017	202,930	350
2018	196,578	374

*An additional \$5.1 million, not shown in the table, was provided to 13,726 households between 150% and 175% of the poverty level in 2005-06, under 2005 Wisconsin Act 124.

**Effective FFY 2010, the eligibility standard was changed from 150% of the federal poverty level to 60% of state median household income.

Table 5 provides caseload data and the average amount of benefits paid to persons receiving the state public benefits-funded, non-heating electric component of energy assistance since FFY 2004.

Table 5: State Public Benefits Non-Heating Electric Caseload

FFY	Caseload	Average Benefit
2004	121,983	\$68
2005	124,098	92
2006	137,502	159
2007	132,767	122
2008	141,537	248
2009	166,354	203
2010*	209,382	121
2011	220,017	142
2012	212,816	174
2013	213,161	186
2014	224,757	180
2015	209,638	168
2016	201,032	191
2017	205,616	204
2018	198,842	196

*Effective FFY 2010, the eligibility standard was changed from 150% of the federal poverty level to 60% of state median household income.

Crisis Assistance Program. The crisis assistance component of WHEAP is supported by state and federal funds and provides limited cash assistance and services to households that experience a heating emergency 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 intake workers are employed by a variety of entities, including county social service agencies, to provide these services to eligible households. Under current law, DOA is allowed to establish the amounts of WHEAP funding that may be used for crisis assistance.

Emergency 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 (or

cooling in summer months only in cases of extreme heat, with a declaration of a heat emergency, and approval from the Division). 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 may 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 proactive 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, WHEAP may assist persons in setting up a co-payment plan or match payment agreement that would result in payments being made to fuel suppliers.

In June, 2016, DOA announced that it would allocate a portion of FFY 2016 LIHEAP crisis benefit funding to an initiative to assist homeless veterans with payments to energy providers, payment for one month of rent, and a security deposit (if needed). From October 1, 2015 to September 30, 2016, \$170,800 was expended for the initiative.

Table 6 provides caseload data and the average amount of benefits paid to persons receiving crisis assistance since FFY 2004.

Low-Income Weatherization Program. The Low-Income Weatherization Program provides weatherization services to help reduce high-

Table 6: State and Federal Crisis Assistance Caseload

FFY	Caseload	Average Benefit
2004	33,167	\$318
2005	44,990	337
2006	48,611	364
2007	48,200	367
2008	27,837	402
2009	49,323	384
2010	37,785	323
2011	43,997	336
2012	41,304	321
2013	38,239	313
2014	32,218	441
2015	48,292	297
2016	38,463	317
2017	43,934	347
2018	41,457	318

energy costs in homes occupied by low-income families. In addition, low-income weatherization program funding is utilized for emergency furnace repair and replacement services, which are provided to households experiencing a heating crisis. Eligibility for low-income weatherization and emergency furnace repair and replacement services is determined by WHEAP agencies, which make referrals to the program.

Low-Income Weatherization Services. The program has traditionally been funded from four sources: (a) funds the state receives from the federal Department of Energy (DOE) under the weatherization assistance for low-income persons program; (b) an allocation of 15% of the funds received by the state under the LIHEAP block grant; (c) allocations that have occasionally been made from oil overcharge restitution funds; and (d) funds from the state public benefits program. For 2017-18, expenditures totaled \$64,267,500 (\$8,642,300 from DOE weatherization assistance; \$7,636,300 from LIHEAP funds; and \$47,988,900 from public benefits). Under the American Recovery and Reinvestment Act (ARRA) weatherization funding, states were required to place an emphasis on weatherization of multi-family units (buildings with 20 or more units). American Recovery and

Reinvestment Act funding for weatherization has been fully expended, as have state oil overcharge funds allocated to weatherization.

Table 7 indicates the amounts expended under the low-income weatherization program, including administrative expenses, by funding source, since 2003-04.

The Division administers the program through contracts with community action agencies and local governments. These agencies seek out eligible households, 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, non-emergency 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 no more than 60% of the statewide median household income. Both homeowners and renters who meet WHEAP eligibility criteria may receive weatherization services at no cost. However, a 15% contribution by property owners is required in rental property with two or more units where the property owners pay heating costs and the owners are not themselves eligible for WHEAP services. Local program operators give priority under the program to homes occupied by elderly and the disabled and houses with high-energy consumption.

2011 Wisconsin Act 32. Under 2011 Wisconsin Act 32, DOA was permitted to transfer \$10 million in each year of the 2011-13 biennium from public benefits funds spent on the low-income weatherization program and other energy conservation services to WHEAP for energy assistance services. Concurrent with a reduction in federal LIHEAP funding in 2011-12 and 2012-13, DOA reallocated these funds in both years as allowed by Act 32. This transfer was offset by federal ARRA funds

Table 7: Low-Income Weatherization Program – Expenditures by Funding Source

Fiscal Year	FED (DOE)	FED (LIHEAP)	State (Oil Overcharge)	Utility Public Benefits	American Recovery and Reinvestment Act	Total
2003-04	\$8,364,600	\$7,949,000	\$82,400	\$30,850,500	\$0	\$47,246,500
2004-05	6,529,500	6,520,100	0	33,601,300	0	46,650,900
2005-06	10,537,200	11,807,700	0	36,076,500	0	58,421,400
2006-07	9,361,200	15,932,600	0	40,372,600	0	65,666,400
2007-08	8,129,100	11,571,400	0	47,384,000	0	67,084,500
2008-09	8,845,100	24,828,600	0	45,735,900	196,200	79,605,800
2009-10	14,220,600	9,685,900	46,900	39,013,400	61,447,300	124,414,100
2010-11	6,056,700	15,902,500	0	31,581,300	65,592,000	119,132,500
2011-12	7,884,000	15,868,000	1,500	50,116,400	14,272,900	88,142,800
2012-13	6,035,300	16,991,200	0	50,417,800	0	73,444,300
2013-14*	6,560,200	14,301,500	0	50,355,900	0	71,217,600
2014-15**	6,719,200	24,225,700	0	50,478,600	0	81,423,500
2015-16**	7,288,800	7,448,800	0	48,107,400	0	62,845,000
2016-17	8,106,300	21,090,700	0	46,998,200	0	76,195,200
2017-18	8,642,300	7,636,300	0	47,988,900	0	64,267,500

* Beginning in 2013-14, emergency furnace repair and replacement is funded under the weatherization program.

**Federal LIHEAP expenditures in 2014-15 include funds from two federal fiscal years, which were awarded in July, 2014, and April, 2015.

spent on weatherization in 2011-12, as noted in Tables 7 and 8.

2013 Wisconsin Act 20. Under 2013 Wisconsin Act 20, the formula used to allocate state public benefits funds was modified so that 50% of public benefits revenue is allocated to low-income weatherization and conservation services (including emergency furnace repair and replacement), and the remaining 50% is allocated to other low-income energy assistance program services (bill payment and crisis assistance).

Table 8 lists the number of dwelling units weatherized and shows the average costs of such services under this program since 2003-04.

Emergency Furnace Repair and Replacement Program. The Division provides funding for emergency furnace repair or replacement services through low-income weatherization program agencies. As noted previously, prior to 2013-14, emergency furnace repair and replacement services were provided by WHEAP. Currently, eligibility for emergency furnace repair and

Table 8: Low-Income Weatherization Program

Fiscal Year	Units Weatherized	Avg. Cost Per Unit
2003-04	8,048	\$5,366
2004-05	7,992	5,630
2005-06	8,831	6,220
2006-07	9,223	6,661
2007-08	9,776	6,562
2008-09	8,459	8,417
2009-10*	11,222	8,840
2010-11**	16,546	6,768
2011-12***	13,886	6,514
2012-13	7,742	8,685
2013-14	6,296	8,984
2014-15	5,747	8,141
2015-16	6,354	7,529
2016-17	5,365	8,478
2017-18	6,782	7,457

* Includes 5,915 units that received ARRA assistance.

** Includes 14,159 ARRA units.

*** Includes 4,436 ARRA units.

replacement is determined by WHEAP agencies, which make referrals for furnace repair and replacement to weatherization program agencies.

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 weatherization agency is responsible for determining the most reasonable course of action.

Under Division rules and guidelines, the furnace must be replaced rather than repaired if the heating system repair costs exceed the established repair limit for the type of system (between \$750 and \$1,000) and the estimated useful life of the heating system is less than five years. Finally, if furnace replacement costs are expected to exceed the established replacement limit for the type of system (between \$5,000 and \$8,500), approval by DOA is required to replace the furnace.

The number of households receiving services and the average emergency furnace service benefit provided since FFY 2004 is summarized in Table 9.

Funding Public Benefits

The state currently operates a segregated utility public benefits fund which supports the costs of low-income energy and weatherization assistance programs that would not otherwise be covered by federal funds. Revenues to the public benefits fund are primarily from fees collected from customers by all nonmunicipal electric utilities. [Additional information regarding the history of the program is provided in the appendix entitled, "Public Benefits - Program History."]

Electric Utility Fees. Fees that electric utilities are required to charge customers are governed by statute and administrative rules. The Department of Administration calculates the low-income assistance need target by totaling all energy bills for households at or below 60% of the statewide

Table 9: State and Federal Emergency Furnace Repair and Replacement Caseload

FFY	Caseload	Average Benefit
2004	1,912	\$1,302
2005	1,992	1,360
2006	1,875	1,256
2007	2,033	1,343
2008	2,290	1,428
2009	2,430	1,685
2010	3,109	1,848
2011	3,422	1,774
2012	2,724	1,743
2013	3,958	1,761
2014	4,715	1,753
2015	4,152	1,659
2016	4,205	1,725
2017	4,747	1,627
2018	4,694	1,637

median household income and subtracting from the total the product of 2.2% of the estimated average annual income of low-income households in that fiscal year multiplied by the estimated number of low-income households. Once the target is calculated, the Department subtracts revenues received from the following offsets: (a) amounts charged by municipal utilities and retail electric cooperatives for low-income assistance; (b) all low-income energy assistance received from the federal government; and (c) amounts paid to the public benefits fund from transferred payments by public utilities for low-income energy assistance. Transferred amounts represent monies received by the Public Service Commission (PSC) from utility companies.

Each year by May 15, 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 June 1 showing how they plan to collect the public benefit fees and identifying reasonable and prudent expenses related to collecting these public benefit revenues.

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 June 10 of each year. If a proposal is rejected, then DOA must provide reasons for denial or 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 new fees on each customer's bill as a "state low-income assistance fee." The public utility must make 12 equal payments to the Department, based on estimated invoice amounts, with each collection due on the 15th day of the month (interest is assessed for late payments). At least once per year DOA must reconcile actual versus estimated receipts from each utility and, if needed, adjust the rates assessed. Over-collections are returned upon approval of the reconciliation, and under-collections are billed separately to the utility. A public utility may request an adjustment once each year to its collection plan due to over- or under-collections.

Low-income assistance fees to support the state public benefits fund have been collected through customer billings since October 1, 2000. For residential customers of public utilities in 2018-19, the new fee may not exceed the lesser of

3% of the customer's bill or \$3.15 monthly. For commercial and industrial customers in 2018-19, the fees cannot exceed 3% or a monthly maximum of \$750 per meter. Since these customers may have multiple meters, commercial and industrial customers may request a refund of any fees that exceed \$750 monthly (the statutory maximum for such customers) in any public utility operational area. Table 10 shows the transferred amounts, the new fees, and the total amounts paid by customers of each utility in 2017-18.

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. 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 for more information.]

Municipal Utilities and Electric Cooperatives Fees (Commitment to Community Programs). Municipal utilities and retail electric cooperatives have the option of implementing the low-income energy assistance program on their own or jointly with other such utilities. However,

Table 10: Low-Income Energy Assistance Payments by Utility -- 2017-18

Utility Name	Transferred Amounts	"New" Fees	Total
WE Energies (Wisconsin Electric)	\$13,625,600	36,274,100	\$49,899,700
Integrus (WI Public Service Corporation)	3,268,800	15,255,400	18,524,200
Alliant Energy (Wisconsin Power & Light)	1,776,500	14,614,200	16,390,700
Xcel Energy (Northern States Power)	823,100	10,342,000	11,165,100
Madison Gas & Electric	591,800	4,521,600	5,113,400
Superior Water Light & Power	350,700	453,900	804,600
Northwestern Wisconsin Electric	0	386,800	386,800
Dahlberg Light & Power	0	286,900	286,900
North Central Power	0	111,300	111,300
Pioneer Power & Light	0	54,100	54,100
Westfield Electric	0	26,100	26,100
Consolidated Water Power	<u>0</u>	<u>12,300</u>	<u>12,300</u>
Total	\$20,436,500	\$82,338,700	\$102,775,200

any customer or member receiving benefits from a municipal utility or electric cooperative may not also receive benefits under the DOA-operated public benefits program (though such customers would still be eligible for federally funded programs).

A municipal utility or retail electric cooperative may also elect not to offer a low-income energy assistance program, but instead to participate in the DOA-operated program.

Municipal utilities and retail electric cooperatives must collect fees averaging \$8 annually per meter from its customers to fund the low-income energy assistance program. The municipal utility or retail electric cooperative may charge different rates to different classes of customers to obtain this average collection. However, the low-income assistance fee may not exceed 1.5% of the total of every other charge on the customer's bill, or \$375 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 the low-income energy assistance 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 a low-income energy assistance program, 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.

The Division indicates \$3,311,200 was remitted to DOA in 2017-18 by municipal electric utilities or retail electric cooperatives that participate in the DOA low-income energy assistance programs.

According to DOA, in 2017-18, 15 of the state's 24 retail electric cooperatives and 65 of the

state's 81 municipal electric utilities had elected to participate in the DOA-operated low-income public benefits program.

Additional Funding. In addition to the amounts collected from utility customer fees, 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 to the low-income assistance program, along with their regular bill payments. Each utility must offer customers the opportunity to make such a contribution at least annually. Since the inception of the public benefits fund, there have been voluntary contributions totaling \$7,000. There were no voluntary contributions in 2016-17 or 2017-18.

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 \$5,285,584. Net investment pool revenue to the public benefits fund was \$66,374 in 2016-17 and \$182,710 in 2017-18.

As described previously, the state receives federal funds for various energy programs affecting limited income households. Although the annual amount of federal low-income energy assistance funding received by the state is used as part of the formula for setting the amount of public benefits fees that must be assessed each year from utility customers for low-income energy assistance, the federal funds are not deposited in or considered to be a part of the public benefits fund. Federal funds and public benefits funds are separately used to support low-income energy assistance and low-income weatherization programs through DOA.

Table 11 summarizes actual revenues and expenditures from the public benefits fund for low-income energy assistance for 2016-17 and 2017-18. The table shows revenues and expenditures for the low-income assistance components of the public benefits fund. Revenues include amounts received from utility collections, investment revenues with SWIB, refunds of prior year expenditures, and voluntary contributions. Transitional funds represent monies received by DOA from the PSC. These amounts may differ from the transferred amounts detailed in Table 10, which represent monies received by the PSC from utility companies. Expenditures are by major program component.

Table 11: State Revenues and Expenditures for Low-Income Assistance (2016-17 and 2017-18)

Low-Income Assistance Programs		
	2016-17	2017-18
Beginning Balance	\$11,520,700	\$10,763,200
Revenues		
Transitional Funds	\$21,297,100	\$21,329,000
"New" Fees	84,163,100	82,338,700
Municipals and Cooperatives	3,083,300	3,311,200
Investment Pool	66,400	182,700
Refund of Expenses	300	300
Utility Company Adjustments	(119,600)	(9,400)
Voluntary Contributions	<u>0</u>	<u>0</u>
Total Revenues	\$108,490,600	\$107,152,500
Expenditures		
Weatherization	\$36,459,200	\$37,365,000
Weatherization State Administration	1,387,900	1,393,200
Weatherization Intake and Outreach	2,113,700	1,989,900
Energy Assistance Aids	42,017,700	38,988,000
Energy Assistance Outreach	2,308,800	2,294,500
Crisis Assistance	6,494,900	5,822,600
Furnace Repair & Replacement	6,840,500	7,240,800
Energy and Crisis Assistance State Administration	1,165,400	1,155,600
County Administration	1,320,300	1,245,600
Wisconsin Works	<u>9,139,700</u>	<u>9,139,700</u>
Total Expenses	\$109,248,100	\$106,634,900
Year-End Balance	\$10,763,200	\$11,280,800

APPENDIX

Public Benefits - Program History

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 in the late 1970s. These 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.

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.

Under 2005 Wisconsin Act 141, the ways in which public benefits funding was collected were modified and administration of energy efficiency and renewable resource programs were transferred from DOA to a vendor selected collectively by the energy utilities.

Effective July 1, 2007, DOA was no longer responsible for the administration of the energy efficiency and renewable resource public benefits programs. Instead, energy utilities were required to establish and fund statewide energy efficiency and renewable resource programs. These utilities have the option of maintaining their own low-income assistance program for their customers, creating a jointly operated program with other municipal utilities and retail electric cooperatives, or opting into the state program by remitting the collected fees to DOA.

The operation of public benefits-funded programs has been impacted by budgetary decisions that have directed the transfer of portions of the fund to other activities. These transfers from the public benefits fund have supported energy

conservation and efficiency, renewable resource programs, and Wisconsin Works (W-2).

Utility Public Benefits

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 mid-1990's, 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 the programs being operated by public utilities would continue in some fashion should the utility industry be moved toward a deregulated market.

By the mid-2000's, fewer state governments were considering utility deregulation. In the absence of deregulation in Wisconsin, questions were raised regarding state versus utility administration of energy conservation and efficiency and renewable resource programs. This eventually lead to a dividing of the traditional "public benefits" programs, such that the state would administer low-income assistance funds and the utilities would administer or contract for administration of energy conservation and efficiency and renewable resource programs.

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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 Public Service Commission (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: (a) energy efficiency programs; (b) services to low-income customers; (c) renewable resource development; and (d) 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.

Throughout the 1990's state legislatures considered proposals to partially or fully deregulate electric production.

In a regulated electric market, states generally grant electric utilities exclusive electric supply over a particular geographic area. The utility must agree to provide electric service to all customers within a region of the state (usually through a regulatory commission). The regulating agency specifies when fees may be changed and when new facilities may be built.

In a deregulated market the building of electric production facilities and provision of electricity is market driven. Public utilities and/or wholesale electric producers compete for customers and add electricity to the grid based on their customer demand.

In considering whether Wisconsin should move toward a deregulated market, the Legislature had to consider whether utilities that were currently subject to regulation could compete with new unregulated entities at the wholesale level and possibly at the retail level. In order for the new unregulated energy producers to lower their costs and compete for customers, it was reasonable to expect that most would not provide, on their own initiative, the same types of public benefits [demand-side management programs] that the traditional regulated utilities were required to provide. Under such circumstances, it was 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. 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 Commission stated that 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."

In addition, the Commission suggested that the following elements should be continued in such a program: (a) increasing the energy efficiency of low-income housing through weatherization and other services; (b) bill payment assistance; (c) early identification programs to provide bill payment and budgeting services to reduce dependence on bill payment assistance; (d) energy

crisis response programs; and (e) research and development to improve the activities and technologies used in other elements of the low-income programs.

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

The Commission indicated that the following elements should be continued in such a program: (a) facilitating the transformation of markets for energy efficiency services; (b) ensuring the delivery of such services where market barriers currently exist; (c) providing consumer education; (d) promoting renewable energy technologies; and (e) performing research in support of programming and market development activities.

With respect to renewable energy programs, the stated goal was "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 Commission recommended that the following elements be continued in such a program: (a) research and consumer education; (b) promotion of customer-based renewable energy technologies; and (c) continued support for the renewable energy assistance program administered by the Department of Administration (DOA).

Finally, with respect to environmental research programs, the stated goal was "to ensure that some of the environmental impacts of Wisconsin electric use continue to be addressed, directly or indirectly, by Wisconsin electricity users."

The PSC concluded that there should be a commitment to fund a reasonable amount of

research in areas that the market will not cover.

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.

State-Administered Public Benefits

As part of 1999 Wisconsin Act 9, the 1999-01 biennial budget act, the Legislature incorporated a major initiative affecting public utility holding companies, electric power transmission, public

benefits and other aspects to electric utility regulation. 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.

Funding for these DOA-administered public benefits programs was provided by the utilities. Act 9 specified that the PSC must identify utility expenditures for demand-side management programs as of 1998. The utilities were then required to remit these funds to DOA through the PSC.

Additional funding was to be provided through utility customer fees that were embedded in the fixed charges for electricity. These funds are often referred to as the "new fees," because they were in addition to customer-supported public benefit programs that were operated prior to "Reliability 2000."

The Act 9 provisions created two statewide public benefits programs. One program awarded grants for the following types of activities: (a) energy conservation and efficiency [demand-side management] efforts; (b) environmental research and development; and (c) renewable resources development. A second program provided 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 fees paid by utility customers supported both the low-income assistance and the energy efficiency and renewable resource state-run programs.

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.

The Department was required to contract with

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

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.

Further modifications were made to the public benefits program based on recommendations of a task force on energy efficiency and renewable resources. The task force was created under an executive order issued by the Governor in September, 2003, "to advise the Governor on creative, consensus policy options and practical business initiatives to restore Wisconsin as a leader in energy efficiency and renewable resources, relying upon cooperation among the stakeholders in the energy industry with the goal of reducing Wisconsin's dependence on out-of-state energy and helping to save ratepayers money..."

The task force developed a number of recommendations, with the following specifically related to the public benefits programs:

- Specify that the PSC should set funding levels and energy efficiency targets rather than DOA.
- Annual notifications should be given to utility customers that outline the costs and benefits of the public benefits programs; and
- Seek better integration of the public benefits programs and the PSC's strategic energy assessments.

Under 2005 Wisconsin Act 141, the Legislature approved several of the recommendations of

the Task Force. The changes that affect the public benefits programs, primarily relating to administration of the energy conservation and efficiency and renewable resource programs, became effective on July 1, 2007. These changes are described in the following section.

2005 Wisconsin Act 141

Electric Utilities. Under 2005 Wisconsin Act 141, the ways in which public benefits funding was collected were modified and administration of energy efficiency and renewable resource programs were transferred from DOA to a vendor selected collectively by the energy utilities.

Effective July 1, 2007, DOA was no longer responsible for the administration of the energy efficiency and renewable resource public benefits programs. Instead, energy utilities were required to establish and fund statewide energy efficiency and renewable resource programs and contract, on a competitive basis, with one or more persons for the administration of these funds. The PSC was required to approve this contract. Each energy utility must spend 1.2% of their annual operating revenues on energy efficiency and renewable resource programs.

Act 141 specified that the only amount remitted to the state comes from utility fees for low-income assistance programs.

Act 141 did not change the way in which revenues were collected for low-income assistance. The amount collected for low-income assistance is based on the low-income need target which is annually formulated by DOA. This low-income need target is calculated by subtracting from the total of all low-income energy bills in a fiscal year the product of 2.2% of the estimated average annual income of low-income households in that fiscal year multiplied by the estimated number of

low-income households.

Electric utilities are required to charge customers a fee in the amount determined by statute (s. 16.957) and administrative rules (Chapter Adm 43). The total amount collected must meet the low-income need target when added to the following: (a) the estimated low-income assistance fees collected by municipal utilities and retail electric cooperatives; (b) all low-income energy assistance received from the federal government; (c) all low-income energy assistance received from "transferred" fees the state receives from public utilities; and (d) the total amount expended directly by utilities for low-income assistance. The proposed fee, calculated to meet the low-income need target, is submitted to the Secretary of DOA for approval. The estimated fee revenue is then divided between the low-income weatherization assistance program and the Wisconsin Home Energy Assistance program. The results are shared with the Low-Income Energy Advisory Committee and the state's twelve investor-owned utilities.

Municipal Utilities and Retail Electric Cooperatives. Energy efficiency and renewable resource programs and low-income assistance programs that are operated by municipal utilities and retail electric cooperatives are referred to as "commitment to community programs."

Municipal utilities and retail electric cooperatives are required to collect the same amount of funding under Act 141 as they were previously [\$16 annually on average, with \$8 used for energy efficiency and renewable resource programs and \$8 for low-income assistance programs]. Municipal utilities and retail electric cooperatives may also vary assessments based on customer class.

These utilities have the option of maintaining their own low-income assistance program for their customers, creating a jointly operated program with other municipal utilities and retail electric cooperatives, or opting into the state program

by remitting the collected fees to DOA.

During the first year these utilities had to determine whether to opt into the state program by October 1, 2007. Since then, any utility that has not opted into the state program may do so at the beginning of a calendar quarter. Every third year after that date, these utilities may choose to opt in or out of the state-wide program. In making this determination each of these utilities must declare whether they will operate their own program (alone or with other utilities) or join the state program for the each of the following three years. In any year in which a municipal utility or retail electric cooperative agrees to be part of the state's low-income assistance program the utility will have to pay the amounts collected for low-income assistance to DOA.

Individuals that receive low-income assistance from their municipal utility or retail electric cooperative are not eligible for state-operated low-income assistance that is funded with public benefits.

Municipal utilities and retail electric cooperatives have the same funding options for energy efficiency and renewable resource programs; they may operate their own programs, operate joint programs with other municipal utilities and retail electric cooperatives, or provide monies collected to the vendor chosen by energy utilities to operate energy efficiency and renewable resource programs. The same three-year commitment dates that apply to the low-income programs apply under these programs. If they operate their own programs, they are required to use funding to help achieve environmentally sound and adequate energy supplies at reasonable costs.

Transfers from the Public Benefits Fund

The operation of public benefits-funded

programs has been impacted by budgetary decisions that have directed the transfer of portions of the fund to other activities. 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: (a) \$17,600,000 in 2003-04 and \$20,000,000 in 2004-05 to fund county and municipal aid payments; (b) \$236,800 in 2004-05 to fund earned income tax credits; and (c) \$9,232,000 in 2004-05 for maintenance of effort on Wisconsin Works (W-2). Although the one-time earned income tax credit appropriation of \$236,800 was provided, public benefits funding was not ultimately expended for this purpose. The W-2 funding was established as an ongoing annual appropriation.

2005 Wisconsin Act 25. Under 2005 Wisconsin Act 25, the following amounts that supported energy conservation and efficiency and renewable resource programs were transferred, as follows: (a) \$18,185,300 in 2005-06 and \$16,949,400 in 2006-07 to the general fund; and (b) \$954,500 in 2005-06 and 2006-07 to the Department of Health and Family Services to support income maintenance contracts. This is in addition to \$9,232,000 of public benefits funding that is used on an ongoing basis for W-2 maintenance of effort.

2007 Wisconsin Act 20. Under 2007 Wisconsin Act 20, \$9,232,000 annually was provided

from the public benefits fund for W-2 maintenance of effort. In addition, \$2,678,000 from amounts remaining in the energy efficiency and renewable resource portions of the public benefits fund was lapsed to the general fund in 2008-09 as part of DOA directed general lapse requirements of Act 20.

2009 Wisconsin Act 28. Under 2009 Wisconsin Act 28, the amount provided from the public benefits fund for W-2 maintenance of effort was reduced to \$9,139,700 annually.

Act 28 additionally required DOA to include \$9,139,700 annually in the 2009-11 biennium under its low-income assistance fee calculations for salaries and fringe benefits for district attorney offices. This amount was in addition to fees traditionally collected for low-income assistance and did not reduce funds for low-income energy assistance or weatherization programs. The additional assessment sunset on June 30, 2011.

Before 2005 Wisconsin Act 141 removed energy conservation and efficiency and renewable resource programs from public benefit fund collections, transfers from the public benefits fund were always made from that component of the fund. Under Act 141, state administration of the energy conservation and efficiency and renewable resource programs and the collection of funds for those purposes were eliminated. Current statutory provisions allow the Department of Children and Families to use \$9,139,700 annually for W-2 maintenance of effort funds.

Since July 1, 2007, the only source of revenues for public benefits programs is from low-income assistance funding. Therefore, W-2 funding from the public benefits fund is now from monies transferred from low-income energy and weatherization assistance programs.