



Legislative Fiscal Bureau

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September 29, 2009

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Administration: Governor's Section 13.10 Requests for the Use of Federal Economic Stimulus Funding for Alternative Fuel Vehicles and Infrastructure -- Agenda Item II

REQUEST

The Governor has submitted a request dated September 23, 2009, for the approval of the use of federal stimulus funding for clean transportation. The Governor has asked for approval of \$7.5 million annually in 2009-10 and 2010-11 under the FED-continuing federal aid appropriation [s. 20.505(1)(mb) of the statutes].

BACKGROUND

The U.S. Department of Energy issued a Funding Opportunity Announcement (FOA) for funding clean transportation vehicles and infrastructure. The FOA states that funding is being offered for "cost-shared projects that expand the use of alternative fueled vehicles and advanced-vehicle technologies. The installation or acquisition of infrastructure necessary to directly support an alternative fueled vehicle or advanced-vehicle technologies is also eligible. Operation and maintenance of vehicles, infrastructure and other associated equipment acquired through the program are also allowable within specified limits." Grant recipients may include state and local governments and metropolitan transportation authorities that partner with an active designated Clean Cities Coalition. In Wisconsin this is the Wisconsin Clean Cities - Southeast Area (WCC-SEA) which includes Kenosha, Milwaukee, Ozaukee, Racine, Washington and Waukesha Counties and is designated so, due to its federal status as a severe ozone non-attainment region.

Vehicles purchased under the program must be commercially available alternative fuel or advanced-vehicle technologies. The vehicles must be light, medium, or heavy duty (does not include two or three wheel vehicles). Infrastructure must support alternative fuel or advanced-vehicle technologies. Alternative fuel vehicles (AFVs) are defined, under the FOA, as dedicated or bi-fuel vehicles that operate on alternative fuels recognized by the Energy Policy Act, which

excludes E-85 and biodiesel vehicles. Alternative fuels would include: (a) methanol, denatured ethanol, and other alcohols; (b) natural gas and liquefied fuels domestically produced from natural gas; (c) propane; (d) coal-derived liquefied fuels; (e) hydrogen; (f) electricity; (g) biodiesel; (h) fuels other than alcohol that are derived from biological materials; and (i) P-series fuels (blend of natural gas, ethanol, and biomass-derived fuel).

Funds may be used to pay the incremental cost to purchase new or retrofitted vehicles that run on alternative fuels or advanced fuel technologies. The applicant does not need to show incremental costs for certain vehicles, including neighborhood electric, gasoline-powered hybrids and diesel (which are subject to a \$2,000 maximum award). There are also dollar limits per vehicle, based on vehicle and fuel type, ranging from \$2,000 per vehicle for light duty diesel, neighborhood electric and gasoline-powered hybrids to \$1 million for medium or heavy duty fuel cell vehicles.

For refueling infrastructure, funds may be used for the following: (a) new dispensing facilities, or additional equipment and upgrades to existing refueling sites; (b) upgrading or modifying private fueling stations to allow public and/or shared fleet access; (c) the purchase of equipment or to pay for specific turn-key fueling services by alternative fuel providers; and (d) facility upgrades or building modifications to accommodate alternative fuels for fleet garages and other maintenance/service centers.

Infrastructure projects may include multiple fuel types. Preference is given to infrastructure that has open access to multiple fleets or is accessible by the public. The infrastructure must be a refueling site (bulk fuel production facilities are not eligible). Pumps that allow for fuel blends lower than E85 or biodiesel of less than 20% renewable resource fuel (B20) are not eligible. Solar charging systems may only be used for providing on-site vehicle electrification (infrastructure cannot be used for generating electricity for any other purpose or be tied to the local electrical grid). Liquefied natural gas systems can only be used for providing on-site vehicle fueling.

Requests from the states were due on May 29, 2009, to DOE, and requests for funding could be made for no less than \$5 million or more than \$15 million. At least 50% of the costs must be supported from non-federal sources. On September 13, 2009, the Department of Energy informed OEI that the Wisconsin application had been selected for negotiations leading to an award of \$15 million.

ANALYSIS

The following table shows OEI budget for the federal funding and the match requirements, indicating that a total of \$32,047,500 would be expended on the program. The Office indicates that most of the match requirements will be met through the non-incremental cost of purchasing AFVs and advanced-vehicle technology, although some matching funds from previous Stripper Well actions are also counted, (\$47,500 of funds remaining from Stripper Well XI and XIV for technical assistance and cost sharing grants to Wisconsin municipalities to encourage use in AFVs).

	<u>Federal</u>	<u>Match</u>	<u>Total</u>
Vehicles	\$8,905,000	\$17,047,500*	\$25,952,500
Infrastructure	4,645,000	0	4,645,000
OEI Administration	175,800	0	175,800
WCC-SEA administration	233,000	0	233,000
Technical Assistance Contractor	291,200	0	291,200
Maintenance Costs	<u>750,000</u>	<u>0</u>	<u>750,000</u>
Total	\$15,000,000	\$17,047,500	\$32,047,500

* Includes \$47,500 from Stripper Well XI and XIV funds for assistance to local units of government for incremental cost of purchasing alternative fuel vehicles.

In its application, OEI indicated that the grant would be used to fund the incremental cost of 502 alternative-fuel vehicles and advanced-vehicle technologies within 119 public and private fleets in Wisconsin. The grant would also be used to install 10 alternative fuel refueling sites. Nine of these sites are listed in the following table, the 10th proposed partner is no longer interested in building a facility. The Office indicates that an additional vendor could be sought, or remaining funds would be made available for additional fleet vehicles.

The table also shows the amount (\$4,645,000) initially requested for infrastructure at each facility. It should be noted that the partner application requests for Milwaukee vary significantly from the other requests. The Office was unable to provide any information on the cost differential, but noted that some facilities may be single fuel pumps while others would be multiple pumps. The Office also indicates that these amounts will ultimately be negotiated with DOE and the potential partners, and that amounts provided to individual groups or agencies may vary significantly from the amounts initially requested. The estimated fuel use for the Milwaukee stations is higher than any of the other compressed natural gas sites, however only about 50% higher than the Fond du Lac or Bayfield sites.

<u>Installer</u>	<u>Location</u>	<u>Fuel Type</u>	<u>Federal Funding Request</u>
SunPower	Cumberland	Biodiesel	\$100,000
City of Fond du Lac, Public Works	Fond du Lac	Compressed Natural Gas	120,000
City of Milwaukee	Milwaukee	Compressed Natural Gas	1,800,000
City of Milwaukee	Milwaukee	Compressed Natural Gas	1,800,000
Bayfield County*	Washburn	Compressed Natural Gas	90,000
Dane County Landfill	Madison	Compressed Natural Gas	250,000
Department of Agriculture, Trade and Consumer Protection	Madison	E85	35,000
Chippewa County Highway Department	Chippewa Falls	E85	50,000
Oconomowoc Transport Inc.*	Oconomowoc	Solar	<u>400,000</u>
Total			\$4,645,000

*The Bayfield County and Oconomowoc sites would be upgrades, the remaining sites would be new installations.

The Wisconsin Clean Cities - Southeast Area has filed a letter as part of the application, stating its intent to partner with OEI and provide support in the following: (a) specialized training and education for installation, maintenance and operation of vehicles and refueling equipment; (b) awareness of a public awareness campaign; and (c) identification of energy improvements, energy cost savings, jobs creation, economic improvements, and environmental benefits.

As part of the application, OIE identified 119 private and public groups and agencies that would potentially purchase AFVs and/or advanced-vehicle technologies. As part of the federal request, OIE identified 502 vehicles that could be part of the statewide purchase. The incremental cost of these vehicles ranged from \$0 [no incremental cost needs to be shown for neighborhood electric, gasoline-powered hybrids and eligible diesels] to \$136,400.

While the number of vehicle, infrastructure projects, and private and public partners were identified in the application to DOE, no formal commitment of funding has been made. Rather, the federal Department of Energy and OEI will negotiate the final distribution of funds. The groups and agencies that expressed interest in purchasing vehicles or building facilities will be asked to commit to those purchases. In some cases, those groups or agencies may decide to decline. In those cases more partners may be sought.

If the request is approved, OEI would negotiate with DOE over the final distribution of funding. If the request is denied, the Office would be required to seek Committee approval for increased expenditure authority at a future time, based on final OEI and DOE negotiations.

ALTERNATIVES

1. Approve \$7,500,000 FED in 2009-10 and 2010-11 under s. 20.505(1)(mb) of the statutes for the receipt of American Recovery and Reinvestment funds for the clean transportation program.
2. Deny the request.

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