



Legislative Fiscal Bureau

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October 13, 2009

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Public Service Commission: Governor's Section 13.10 Requests for the Use of Federal Economic Stimulus Funding for Staffing of Electricity-Related Initiatives -- Agenda Item VII

The Governor has submitted a request dated October 7, 2009, for the approval of the use of federal stimulus funding for providing staff at the Public Service Commission (PSC) to work on issues related to American Recovery and Reinvestment Act (ARRA) funds provided for electricity-related initiatives. The Governor seeks approval of \$893,500 FED in 2009-10 under the FED-continuing federal funds appropriation [s. 20.155(1)(m) of the statutes].

BACKGROUND

In August, 2009, PSC submitted an application to the federal Department of Energy for \$893,500 FED for managing additional workload that is anticipated in regulation of utilities related to federal stimulus funds provided for electricity consumption, production, and conservation. The amounts available to Wisconsin are based on a funding base of \$750,000 per state, plus a population based amount (\$143,448), which accounts for the state's share of the \$46 million made available nationwide.

The federal funding opportunity announcement from the U.S. Department of Energy states that it intends to make funding available to state public utility commissions to hire additional staff in order to ensure that appropriate technical expertise will be dedicated to utility regulation relating to ARRA electricity-related initiatives. These initiatives include energy efficiency, electricity-based renewable energy, energy storage, smart grid electric and hybrid electric vehicles, demand response equipment, coal and carbon capture and storage, and transmission. Funding is intended to supplement, and not supplant, existing staffing support. The announcement lists the following examples of initiatives that staffing would work on:

- Certification that states have or will pursue certain energy efficiency policies for its utilities in order to receive State Energy Program ARRA funds. Implementation of these policies may require infrastructure improvements, energy procurements, or rate adjustments that would be reviewed by utility commissions.
- Approval of transmission lines that receive ARRA loan guarantees. Review of these projects could include working with counterparts in adjacent states on siting and cost allocation considerations for multi-state transmission projects supported with ARRA funding.
- ARRA funds will provide funding for clean coal power plant demonstration plants that have the ability to capture carbon emissions. The utility commissions would be responsible for approving the rate-payer portions of these facilities.
- Approval of utility investments in smart grid technology as well as approval of matching funding from ratepayers.
- Approval of renewable energy electricity procurements by utilities, including review of renewable portfolio standards.

In order to receive funding the PSC would be required to develop a project management plan within 60 days of the award, a workforce development plan within 90 days of the award, and case monitoring reports that would be provided quarterly. The Department of Energy indicates that it will make all awards by December 15, 2009.

ANALYSIS

The Commission plans to use the funds to hire 3.0 FED project positions. The annual funding amounts are shown in the following table. While these amounts are shown for planning purposes, it is likely that some funding will be retained for reports and performance evaluations due to the Department of Energy after the three years of program operation.

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Total</u>
Salary (3.0 positions)	\$159,925	\$159,925	\$159,925	\$479,775
Fringe Benefits	62,978	62,978	62,979	188,935
Travel and Training	4,253	4,253	4,253	12,759
Computers	6,000	0	0	6,000
Supplies	2,673	2,673	2,674	8,020
Building and Office Rental*	16,344	16,345	16,345	49,034
Indirect Charges**	<u>49,635</u>	<u>49,635</u>	<u>49,635</u>	<u>148,905</u>
Total	\$301,808	\$295,809	\$295,811	\$893,428

* Includes information technology equipment (network, software, and maintenance)

** Assessments for other office personnel, including supervisors, Commissioners, legal staff, administrative services, and Information technology.

The first position identified by the PSC is a public service engineer responsible for technical review and analysis of ARRA-related plans. The engineer would do the following: (a) investigate compliance with applicable codes, rules and regulations; (b) review and critique construction projects; (c) prepare reports; and (d) prepare testimony for case hearings and make recommendations to the Commission. Secondly, PSC intends to hire a program and policy analyst to analyze programs and policies of the PSC and the state utilities and to prepare reports, testimony, or recommendations for the Commission. Finally, the Commission indicates that it will hire a financial specialist (a financial analyst, economist, or accountant) to perform financial, economic, or accounting analyses of utility projects and ARRA-funded programs.

The salary and fringe benefits amounts used in the federal request are based on the minimum salary for 1.0 senior engineer, and the maximum range for 1.0 program and planning analyst and 1.0 accountant (financial specialist) position. Positions in the engineering collective bargaining units are not currently broad-banded. As a result, the applicable salary range for newly hired engineers is the state minimum salary for engineers. The salary range for program and policy analysts and accountants, as of September 13, 2009, is \$35,300 to \$58,200 annually. Including fringe benefits, over three years, the difference between the minimum and maximum for these two positions would be \$191,400.

The Commission indicates that the project positions would be trained at the University of Madison's Wisconsin Public Utility Institute and the National Association of Regulatory Utility Commissioners (NARUC) Utility Rate School. NARUC is located in Washington, D.C. but classes are sponsored by Michigan State University and held at different U.S. locales. The federal Department of Energy also indicates that its Office of Electricity Delivery and Energy Reliability will likely provide training and technical assistance to state public utility commissions on ARRA electricity-related topics. The funding opportunity announcement states that it expects staff hired under this initiative to attend the federal training.

Currently, there is over \$7.8 billion available nationally through competitive grants and loans to utilities for smart grid investments and demonstration grants, interconnection of transmission line analysis and planning, electric transportation, and research and development for coal plants with carbon capture systems. The Commission states that Wisconsin utilities have filed for more than \$100 million in grant applications. In addition, PSC will have oversight responsibility for more than \$100 million of ARRA funding for energy efficiency programs.

The budget developed for the federal request, by PSC, seeks funding for 3.0 project positions that would be hired for a three-year period. The Commission has requested federal approval of a grant performance period of 42 months to allow for the recruitment and hiring new employees, then 36 months of services of the employees, and wrap up deliverable reports. If the Committee wishes to approve funding for these positions, it could specify that the positions would be deleted by June 14, 2013. Since the federal award is expected by December 15, 2009, the June 14, 2013, date would specify that the positions would be deleted by the end of the 42 month period.

The Commission states that while the funding identified on the federal request was an indication of the positions that could be hired, more senior personnel (such as a senior program and policy analyst) may be sought if adequate personnel were not available at the lower levels. The Commission also states that if personnel could be hired at lower levels it would allow for a potential extension of the time in which the employees could work at the agency. Since the federal opportunity announcement allows for a four-year performance period, PSC could request an extension for one or more positions hired under this request, should funds remain available.

If the Committee wished to allow for the possibility that an extension would be sought, should excess funds be available due to lower expenditures in other areas, it could specify that any positions created using ARRA funding be deleted on December 14, 2013, which would match the longest period available for project positions, as well as the maximum performance period of the federal program.

ALTERNATIVES

1. Approve \$893,500 FED in 2009-10 under the s. 20.155(1)(m) of the statutes for the receipt of American Recovery and Reinvestment funds to hire 3.0 project positions to work on electricity-related initiatives that are funded by the American Recovery and Reinvestment Act.
2. In addition to Alternative 1, specify that the project positions be deleted by June 14, 2013.
3. In addition to Alternative 1, specify that the project positions be deleted by December 14, 2013.
4. Deny the request.

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