Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

June 21, 2006

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Administration: Section 13.10 Request to Approve the Governor's Plan for Expenditure of "Stripper XXI" Oil Overcharge Funds -- Agenda Item VIII

Under procedures set forth in s. 14.065 of the statutes, any expenditure plan submitted by the Governor for the use of new oil overcharge restitution funds must be submitted simultaneously to the Joint Committee on Finance and to the Senate and Assembly Chief Clerks for referral to the standing committee in each house of the Legislature having jurisdiction over energy matters. The energy committees have up to 30 calendar days from receipt of the Governor's proposal to forward their written recommendations on the proposed oil overcharge expenditure plan to the Joint Committee on Finance. The Joint Committee on Finance may not hold a meeting under s. 13.10 to approve, modify or disapprove the Governor's proposal until either 30 calendar days after the original receipt of the proposal or upon receipt of the energy committees' recommendations, whichever is earlier.

On April 17, 2006, the Committee received a letter dated April 14, 2006, from Department of Administration (DOA) Secretary Stephen Bablitch, on behalf of Governor Doyle, containing a proposal to expend $862,299.80 FED (plus certain accrued and future interest amounts) of both new and reprogrammed oil overcharge restitution funds. This proposed expenditure plan constitutes the latest allocation of "stripper well" and related funds which first began to be received by the state in December, 1986. The new funds that would be allocated under the expenditure plan continue to derive from settlement payments arising under suits between the federal Department of Energy (DOE) and petroleum companies found to have illegally overcharged consumers for petroleum products.

The current expenditure plan was submitted to the Senate and Assembly Chief Clerks and was forwarded by them respectively to the Senate Committee on Energy, Utilities, and Information Technology and to the Assembly Committee on Energy and Utilities. The standing energy committees of each house have the authority to make recommendations concerning the use of any newly received oil overcharge restitution funds. The use of any reprogrammed oil overcharge restitution funds, however, is not subject to review and recommendations by the standing energy committees. Neither of these committees held hearings on the current proposal during the 30-day review period for the purpose of developing written alternative recommendations for submittal to the Joint Committee on Finance. Accordingly, the Co-chairs scheduled the "Stripper XXI" oil overcharge allocation proposal for consideration at the Committee's current meeting under s. 13.10 of the statutes.

BACKGROUND

Oil overcharge funds have derived from a variety of federal court settlements involving controversies over the validity of applying certain price controls on crude oil produced primarily during the period from early 1974 until early 1981. During the period in question, the affected oil producers were required to deposit to an escrow fund the difference between the uncontrolled crude oil price at the time and the controlled price, pending a determination of the validity of the federal pricing regulations. These regulations were ultimately upheld and oil overcharge distributions began flowing to the states in late 1983. A subsequent, highly complex final settlement agreement relating to the distribution of the escrow funds was entered in mid-1986 by the federal court having jurisdiction over these cases. This 1986 settlement agreement was made the mechanism by which all future oil overcharge restitution fund amounts deriving from a variety of sources would be distributed to the states.

Since 1983, the state has received $80.3 million of "stripper well," Exxon, and other oil overcharge restitution funds from a variety of federal court settlements and has earned an additional $31.6 million in interest on these amounts, for a total of $111.9 million through the end of the first calendar quarter of 2006. Most of this funding was received by the state during the decade immediately after 1985. It is now anticipated that the state will receive relatively little additional new oil overcharge funding in the future.

With respect to how oil overcharge funds may be used, the federal court's guidelines have given each state relatively broad discretion in selecting among restitutionary energy-related programs. In general, oil overcharge funds may be allocated for the: (1) weatherization of buildings and dwellings of low-income, handicapped or disabled persons; (2) implementation of state energy conservation programs; (3) reduction of energy consumption in schools and hospitals; (4) promotion of conservation by small businesses and by individuals; and (5) assistance to low-income individuals with home heating bills. In addition to these general types of programs, any other energy-related project which has previously been approved by a federal court or by the federal DOE is also a permitted use for oil overcharge restitution funds.

To date, initial allocations of "stripper well" funds totaling about $38.4 million have been formally approved by this Committee or by the Legislature on 20 previous occasions. In 16 instances this Committee has approved allocations based on proposals submitted by the Governor, and in four instances allocations have been made as a result of specific legislation. These previous "stripper well" allocations are summarized in Table 1.

TABLE 1

Previous "Stripper Well" Oil Overcharge Allocations

Allocation	Action	Date	Original Amount Allocated (FED)
Stripper I Plan	JFC Modified Plan	December 18, 1986	$12,792,700 [a]
Stripper II Plan	JFC Modified Plan	January 27, 1988	2,356,100 [a]
Stripper III Plan	JFC Modified Plan	May 2, 1988	100,000
Stripper III Amendment	1987 Wisconsin Act 399	May 17, 1988	300,000
Stripper IV Plan	JFC Modified Plan	December 12, 1988	2,930,507 [b]
Stripper V Plan	JFC Modified Plan	March 15, 1989	232,544 [c]
Stripper VI Plan	1989 Wisconsin Act 31	August 9, 1989	600,000
Stripper VII Plan	JFC Modified Plan	December 19, 1989	3,108,597 [d]
Stripper VIII Plan	JFC Modified Plan	December 18, 1990	2,642,111 [e]
Stripper IX Plan	JFC Modified Plan	March 13, 1991	95,000
Stripper X Plan	1991 Wisconsin Act 39	August 15, 1991	998,500
Stripper XI Plan	JFC Modified Plan	February 13, 1992	1,711,819 [f]
Stripper XII Plan	JFC Modified Plan	December 15, 1992	3,379,416 [g]
Stripper XIII Plan	1993 Wisconsin Act 16	August 12, 1993	1,158,200
Stripper XIV Plan	JFC Modified Plan	February 2, 1994	1,613,398 [h]
Stripper XV Plan	JFC Modified Plan	October 25, 1995	539,500 [i]
Stripper XVI Plan	JFC Modified Plan	April 16, 1996	700,000[j]
Stripper XVII Plan	JFC Modified Plan	September 26, 1996	1,018,461 [k]
Stripper XVIII Plan	JFC Modified Plan	June 23, 1998	745,938 [L]
Stripper XIX Plan	JFC Modified Plan	April 21, 1999	513,309[m]
Stripper XX Plan	1999 Wisconsin Act 113	May 23, 1999	0 [n]
Stripper XX Plan	JFC Modified Plan	December, 19, 2000	821,498 [o]
TOTAL ALLOCATIONS			$38,357,600

[a]Plus all interest accruing.

[b]Plus interest (identified as $82,100 in 1989-90 and $138,200 in 1990-91 in the 1989-91 biennial budget) allocated to the DOA Energy Bureau for oil overcharge management and reporting activities.

[c]Plus interest accruing to December 31, 1988.

[d]Plus accrued and future "Stripper VI and VII" interest.

[e]Plus accrued and future "Stripper VIII" interest.

[f]Plus accrued and future "Stripper XI" interest. An additional $250,000 of "Stripper XI" funds were also allocated for a Sheet Metal Workers Energy Management Program; however, this component was item vetoed by the Governor. The resulting unprogrammed $250,000 subsequently became part of the "Stripper XII" allocation plan.

[g]Plus accrued and future "Stripper XII" interest.

[h]Plus accrued and future "Stripper XIV" interest. Of the amounts originally allocated, $30,000 was placed in unallotted reserve by Joint Finance. On June 22, 1994, the Committee subsequently allocated the amounts in unallotted reserve to fund an auto train feasibility study by the Department of Transportation.

[i]Allocation of available unprogrammed oil overcharge balances to supplement low-income energy assistant program crisis assistance benefits which had most recently been provided under "Stripper XIV" and through reallocations of Exxon oil overcharge residual amounts.

[j]Plus accrued and future "Stripper XVI" interest. Of the amounts allocated, $100,000 was placed in unallotted reserve for subsequent release after submittal of a detailed expenditure plan for low-income initiatives.

[k]Plus accrued and future unallocated "Stripper XV" interest and all accrued and future “Stripper XVII” interest. On December 16, 1996, the Committee amended the “Stripper I and II” and Exxon allocations to exchange Exxon funds for “Stripper” funds.

[L]Plus accrued and future "Stripper XVIII" interest. An additional $845,182 was reprogrammed from the residual balances of previous "stripper well" allocations ($345,182) and Exxon allocations ($500,000)

[m]Plus accrued and future "Stripper XIX" interest. Also includes a reallocation of $66,000 of deobligated Exxon funds.

[n]An allocation of what would have been "Stripper XX" funds (all current and future unprogrammed funds) plus all future interest for energy conservation treatments in rental housing with significant lead paint contamination was ultimately disallowed by the federal DOE. The funds that would have been allocated by Act 113 reverted to unprogrammed status and were subsequently distributed under a second "Stripper XX" plan submitted by the Governor.

[o] Plus accrued and future "Stripper XX" interest.

SUMMARY OF THE CURRENT OIL OVERCHARGE ALLOCATION PROPOSAL

The Governor's "Stripper XXI" proposal would allocate for expenditure the following $862,299.80 FED (plus certain accrued and future interest amounts) of oil overcharge restitution funds: (1) $152,899.22 of newly received, unprogrammed oil overcharge restitution funds (including all of the accrued and future interest); (2) $40,099 of restitution funds received directly by the state for prior overcharges of state programs; (3) $434,679.24 of residual, deobligated "stripper well" funds from previous allocations that would be reprogrammed as part of this proposal; and (4) $234,622.34 of residual, deobligated Exxon funds which would also be reprogrammed as part of this proposal.

The program elements constituting the Governor's "Stripper XXI" proposed allocation plan are summarized in Table 2. All of these program elements would be administered primarily by DOA's Division of Energy.

TABLE 2

Governor's Oil Overcharge Proposal
to Expand "Stripper XXI" Oil Overcharge Funds
(FED Funds)

Program Element	Governor's Proposal
A. Bio-Diesel Infrastructure	$100,000.00
B. Hydrogen Demonstration Project	200,000.00
C. Transportation Biofuels, Infrastructure and Promotion	335,000.00
D. Renewable Energy	225,000.00
E. Energy Program Management	2,299.80*
TOTAL	$862,299.80

*Plus all future interest accruals.

ANALYSIS

Each of the "Stripper XXI" program elements is discussed in the following sections. The program element designations are the same as those listed in Table 2.

A. Bio-Diesel Infrastructure. The Governor has proposed reprogramming $100,000 of residual "stripper well" funds to help support a feedstock crusher facility demonstration project in southern Wisconsin. Such a plant would be used to crush certain oil-bearing agricultural feedstock products (for example, soybeans or canola seeds) to extract the oil. These types of agricultural oils may be added to diesel fuel, effectively replacing up to 20 percent of the diesel fuel. The resulting product is called bio-diesel and is often referred to as "B-20." The process of adding these types of agricultural oils to diesel fuel is similar to the blending of ethyl alcohol with gasoline.

The Committee has previously taken the following actions related to supporting initiatives to extract oil for energy purposes from feedstock products:

Date	Nature of Allocation Action
December 19, 2000	Allocate $120,000 of "Stripper XX" funds for pilot projects that demonstrate utilizing farm raw materials and waste products for producing energy, which included the exploration of ways to convert grains into ethanol and bio-diesel.
	In addition, allocate $30,000 of "Stripper XX" funds for marketing research for oils developed from plant material (e.g. canola, sunflower, and rapeseed) that can be used as bio-lubricants and fuel additives.

Under the current proposal, DOA's Division of Energy indicates that a request for proposals (RFP) would be issued to support a project that would lead to a business plan for the siting and construction of one or more feedstock crushers in southern Wisconsin. The Department advises that funding would be provided to the most feasible project proposal, based on the RFP process, and would most likely be used on a cost-share basis or as seed money to attract other project partners, depending on the size of the crusher demonstration facility. It is estimated that the cost of a demonstration facility could range from a low of $200,000 for a small, mobile on-the-farm operation to over $50 million for a large, stationary crusher plant operation capable of producing 28 to 30 million gallons of bio-diesel annually.

DOA indicates that there are at least three feasibility studies or plans currently being developed in the state by interested parties for the production of feedstock-derived oils for bio-diesel. Two of these studies are being undertaken by the Wisconsin Soybean Marketing Board and another is being developed in a cooperative venture between the Rural Development Association and the Department of Agriculture, Trade and Consumer Protection (DATCP). The Wisconsin Soybean Marketing Board studies are exploring the feasibility of locating a bio-diesel crusher facility near Waterloo, Wisconsin. The Rural Development Association and DATCP venture is studying the comparative costs and yields of the expeller extraction process (crushers) versus a chemical extraction process. DOA's Division of Energy believes that one or more of these organizations would likely participate in the Division's bio-diesel facility RFP process.

B. Hydrogen Demonstration Project. The Governor has proposed allocating $100,000 of new "Stripper XXI" funds and reprogramming $100,000 of residual "stripper well" funds to help support two hydrogen fuel demonstration projects. The Committee has not previously acted to allocate any oil overcharge restitution funding specifically for hydrogen fuel-based projects.

The first hydrogen fuel-based project would be a state partnership with Virent Energy Systems and Marathon Engine Systems, both Wisconsin corporations, to convert biomass products into hydrogen that can then be used to generate electricity. Virent Energy Systems has developed and patented a carbon neutral, one-step method for the on-demand production of hydrogen. The system uses easily available biomass products or by-products such as sugars and glycerin to produce the hydrogen. A successful prototype has already been purchased by Madison Gas and Electric. The proposed demonstration project would use the Virent Energy Systems' hydrogen production approach to fuel an electric generating system developed by Marathon Engine Systems. The purpose of the project would be to demonstrate the feasibility of operating a cost-effective, off-grid electric generating system at Marathon's Madison-based production facility.

The second hydrogen fuel-based project would be a state partnership with Virent Energy Systems to construct a refueling station in Madison for vehicles powered by hydrogen. The oil overcharge funding would be used to leverage additional funding (primarily federal funds) to site a hydrogen refueling station that would be the first in the nation to use an on-site production system to convert biomass products to hydrogen. It is estimated that the siting and construction of a hydrogen refueling station would cost an estimated $1.5 million.

Currently, an Upper Midwest Hydrogen Initiative is being organized for the states of Iowa, Minnesota, North Dakota, South Dakota, and Wisconsin and the Canadian province of Manitoba to support the development of a hydrogen fuel-based refueling infrastructure. The goal of the project is to begin to site hydrogen refueling stations along the major transportation corridors and in the large urban areas of these states and province. Initially, large corporate and governmental motor fleets will be targeted for conversion to hydrogen fuel once a sufficient number of refueling stations becomes operational. A similar type of approach was used in the last decade to encourage the development of natural gas- and ethanol-powered motor fleets in Wisconsin.

C. Transportation Biofuels, Infrastructure and Promotion. The Governor has proposed allocating $52,899.22 of new "Stripper XXI" funds and reprogramming $234,622.34 of residual Exxon funds, and $47,478.44 of residual "stripper well" funds to provide total funding of $335,000 to support several interrelated alternative fuel projects targeted to local units of government in the state and to the public.

The Committee has previously approved a variety of allocations targeted to assisting local governments and the public make greater use of alternative fueled vehicles:

Date	Nature of Allocation Action
December 18, 1990	Allocate $150,000 of "Stripper VIII" funds to support a local government alternative fuel program, including providing technical assistance and funding to evaluate and purchase alternative fuel vehicles in municipal fleets.
January 28, 1992	Allocate $264,000 of "Stripper XI" funds to continue the local government alternative fuel program.
December 15, 1992	Allocate $315,000 of "Stripper XII" funds to continue the local government alternative fuel program.
February 2, 1994	Allocate $300,000 of "Stripper XIV" funds to continue the local government alternative fuel program.
April 16, 1996	Allocate $25,000 of "Stripper XVI" funds to develop four ethanol refueling sites in Wisconsin to promote long-distance intercity travel using alternative fuels.
April 21, 1999	Allocate $72,000 of "Stripper XIX" funds to support a portion of the costs of Wisconsin Clean Cities-Southeast Area, Inc.
December 19, 2000	Allocate $230,000 of "Stripper XX" funds to install and promote ten public ethanol stations in southeastern Wisconsin. In addition, allocate $90,000 of "Stripper XX" funds to support a portion of the costs of Wisconsin Clean Cities-Southeast Area, Inc.
July 26, 2005	Reprogram $77,395 of "Stripper XX" funds for the establishment of refueling stations anywhere in the state rather than in southeastern Wisconsin.

The first project would utilize $100,000 of the proposed allocation to provide incentive grants to local units of government to increase the use of biofuel-powered vehicles in their motor fleets. Under this program, DOA's Division of Energy would provide grants of $1,000 to 50 local governments that agree to such activities as purchasing a certain percentage of vehicles for their motor fleets capable of being powered by biofuels, using a certain percentage of fuel for such vehicles from biofuel sources, promoting biofuel use, and assisting in the installation of biofuel refueling stations within their jurisdictions.

Currently, large public and private sector motor fleets are required to ensure that at least 75% of new vehicles purchases are flexible fuel (typically "E-85") vehicles, capable of utilizing alternative fuels with up to 85% ethanol, 15% gasoline, and a denaturant. While smaller units of government are not required to adhere to this standard, the Division of Energy believes that it would be desirable to encourage these governmental units to buy and use alternative fueled vehicles A local government grantee would be eligible for a second payment of $1,000 after showing that it had satisfactorily met the conditions of the agreement entered into with the Division of Energy. A failure to meet the requirements of the agreement could result in the forfeiture of the initial $1,000 grant allocation.

The second project would utilize $40,000 to encourage the increased use of biofuel products by Wisconsin citizens who currently own vehicles capable of using such fuels. It is anticipated that these promotional efforts would include such activities as direct mailings to owners of such vehicles, radio and newspaper stories, public service announcements, press releases, events involving state and local elected officials, and point of purchase information [such as providing biofuel refueling station information to biofuel-powered vehicle purchasers]. This program would be administered by the Division of Energy, DATCP, and local units of government with biofuel refueling facilities.

The third project would utilize $175,000 to provide $5,000 incentive grants to refueling facility operators to install E-85 or bio-diesel pumps. The Division of Energy anticipates that the new dispenser pumps would be installed primarily at existing service stations to augment their gasoline and diesel fuel capabilities. Currently, there are 34 E-85 stations and two bio-diesel stations in operation or under construction in Wisconsin. The proposed funding allocation would provide incentive grants for an additional 35 pumps. No service station could receive funding for more than one E-85 or bio-diesel pump at the facility but could receive one separate grant for the installation of each type of pump.

Finally, The Governor's proposal would utilize $20,000 for administration and program delivery costs relating to the above transportation biofuel development and promotional activities. These types of activities would include contract writing and technical assistance to local governments to make portions of their vehicle fleets biofuel compatible.

D. Renewable Energy Program. The Governor has proposed allocating $40,099 of restitution funds received directly by the state for prior overcharges of state programs and reprogramming $184,901 of residual "stripper well" funds to provide total funding of $225,000 to support three renewable energy program initiatives.

The Committee has previously approved a variety of allocations targeted to renewable energy development activities in the state:

Date	Nature of Allocation Action
December 18, 1986	Allocate $1,400,000 of "Stripper I" funds for waste-to-energy grants.
December 12, 1988	Allocate $1,295,100 of "Stripper IV" funds for waste-to-energy, wood waste conversions and recycling grants.
December 18, 1990	Allocate $313,500 of "Stripper VIII" funds for grants emphasizing the use of renewable energy technologies.
February 13, 1992	Allocate $420,000 of "Stripper XI" funds for grants emphasizing the use of renewable energy technologies.
December 15, 1992	Allocate $150,168 plus all interest accruing of "Stripper XII" funds for grants emphasizing the use of renewable energy technologies.
February 2, 1994	In connection with the "Stripper XIV" allocation, earmark all interest accruing on or after October 1, 1993, from "Stripper XIII and XIV" for grants emphasizing the use of renewable energy technologies.
	Allocate $50,000 of "Stripper XIV" funds to Wisconsin Public Power, Inc. to install and monitor two utility-scale wind turbines that were modified to operate at lower wind speeds.
June 23, 1998	Allocate $200,000 of "Stripper XVIII" funds for grants emphasizing the use of renewable energy technologies.

The first renewable resource project would utilize a total of $75,000 to promote the increased use of wind energy resources in the state. The funding would be earmarked for the following purposes: (1) $35,000 for Wisconsin's contribution towards a multi-state small windmill certification initiative; (2) $7,000 for wind power outreach efforts; (3) $15,000 for improving the reliability of existing maps of wind energy potential throughout Wisconsin; and (4) $18,000 for future wind energy program initiatives that have not yet been identified.

The small wind turbine (or windmill) certification effort would rate the overall efficiency of small wind turbine models that are being offered for sale to the public. Generally, these nonindustrial wind turbines are used in residential or agricultural applications and would include models up to 16 feet in diameter capable of generating up to 50 kilowatts (kW) of power. A 50 kW turbine could produce enough energy to power 10 residential customers or about 90,000 kW hours per year. DOA indicates that the total cost of the wind turbine certification and rating project would be $401,000, with other states with strong wind energy potential and the American Wind Energy

Association funding the remaining $366,000. It is likely that a certification board would be created by the states that provide funding for this project. Producers of small wind turbines could then submit their products for certification which would rate the turbines in three categories: safety; noise level; and efficiency of energy production.

Under the wind power outreach effort, DOA's Division of Energy would partner with rural electric cooperatives to form a working group that would: (1) identify current obstacles to the development of wind energy projects in the service areas of the rural electric cooperatives; and (2) explore opportunities for generating wind energy in rural areas of the state. DOA indicates that the $7,000 from "Stripper XXI" funds would be used to leverage an additional $5,000 of federal Department of Energy funding for this project.

Finally, a new mapping of the wind energy potential for the various regions of the state would be undertaken at a total cost of $45,000. This mapping initiative would be funded from the following sources: $15,000 from "Stripper XXI" funds, $10,000 from state public benefits funds through the Focus on Energy program, and $20,000 from WE Energies. This updated wind map would show the general paths of wind flow in the state, information which can be used to identify those areas where the prevailing wind flow is sufficiently reliable to power wind turbines for the production of electricity.

The second renewable resource project would utilize a total of $75,000 of "Stripper XXI" funds for biomass product marketing. This initiative would be coordinated with the Department of Natural Resources (DNR), DATCP, the Midwest Combined Heat and Power Applications Center, and the private sector. The DOA Division of Energy indicates that it would seek to use the oil overcharge funding as seed money to support a feasibility study for the formation of a timber and wood biomass commodities market in the state. Additional funding for the proposal would be sought from neighboring states with significant forest products industries and from the wood and paper industries. The purpose of the commodities market would be to increase the market efficiency of the timber and wood by-products industry and to improve the reliability of the supply chain for such products. Through such a system, foresters would agree to sell future wood harvests (including pulp timber and wood chips) to the commodity market based upon a contracted price at delivery hubs established throughout the state. Industries would then be assured of a reliable source of biomass materials at an agreed upon price, thereby encouraging increased utilization of a nonfossil fuel-based energy source.

The third renewable resource project would utilize a total of $75,000 of "Stripper XXI" funds to support 10 cost-share grants to Wisconsin municipalities to study the feasibility of restoring the operation of small hydroelectric dams within the municipalities. A preliminary analysis by the DNR indicates that there are at least 583 municipally-owned dams in the state. In recent years, several municipalities with dams have discontinued generating hydroelectricity because of the relatively high cost of maintaining these smaller facilities. The DNR estimates that between 50 and 60 municipally-owned dams may have hydroelectric generating capabilities. According to DOA, the recent rise in the cost of fossil fuels at conventional power generating facilities may now make it more cost-effective to resume the operation of discontinued hydroelectric facilities.

The Division of Energy has begun to receive inquiries as to the availability of state funding to support feasibility studies for restarting hydroelectric production at existing municipal dams. The Division estimates that a typical feasibility study would cost an estimated $15,000. Under this initiative, cost-share grants of up to $7,500 for one-half of the cost of a study would be provided to a Wisconsin municipality seeking to reestablish electricity-generating turbines at a dam in the municipality. The municipality would be required to provide the remaining one-half of the cost of the study.

E. Energy Program Management. The Governor has proposed reprogramming $2,299.80 of residual "stripper well" funds plus all future interest earnings from the new "Stripper XXI" funds to support the Division of Energy's administrative costs associated with the management and oversight of its oil overcharge-funded activities and to promote energy efficiency programs.

Previously the Committee has taken the following action relating to authorizing the allocation of oil overcharge monies for Division of Energy (formerly the Bureau of Energy) administration and management activities:

Date	Nature of Allocation Action
December 12, 1988	Allocate all interest earnings accruing from "Stripper III" and "Stripper IV" to support oil overcharge management activities in DOA.
April 16, 1996	Allocate all interest earnings accruing from the "Stripper XVI" to support oil overcharge management activities in DOA.
September 26, 1996	Allocate all interest earnings accruing from the "Stripper XV and XVII" to support oil overcharge management activities in DOA.
June 23, 1998	Allocate all interest earnings accruing from the "Stripper XVIII" plus small residual amounts remaining from other previous allocations to support oil overcharge management activities in DOA.
April 21, 1999	Allocate all interest earnings accruing from the “Stripper XIX” to support oil overcharge management activities in DOA.
December 19, 2000	Allocate $9,207.70 plus all future interest earnings accruing from the "Stripper XX" to support oil overcharge management activities in DOA.

Under current federal DOE procedures, up to 5% of a state's stripper well allocations but none of the Exxon oil overcharge funds may be used for the general administration and management of programs. Typical administrative and management costs are those relating to developing allocation plans, reporting annually to the federal DOE and to relevant federal courts on the use of previously allocated funds and tracking the expenditures of each program receiving funds. These types of activities are viewed as being distinct from specific administrative efforts directly linked to program delivery. Program delivery costs (such as awarding and administering grants or managing project activities) are typically funded by deductions from the total allocations made to a specific project.

All of the funding allocations proposed by the Governor for the use of the "Stripper XXI" new funding, the reprogrammed funding, and the direct state restitution payments constitute eligible uses for such monies. With the exception of the small energy management allocation component, all of the proposed allocation initiatives would support the development of renewable energy resources in Wisconsin. Because Wisconsin has traditionally imported over 95% of the energy consumed within its borders, the Committee may view it as desirable to support the recommended allocations to programs that emphasize the development of renewable energy sources within the state. The successful development of renewable energy resources in the state could have the further benefit of mitigating the impact of supply and price disruptions that have affected the imported fossil fuel markets. Further, it may be noted that neither the Assembly nor the Senate standing committee with jurisdiction over energy matters recommended any modifications to the Governor's funding allocations.

If the Committee concurs in the recommended allocation priorities, it could act to approve the Governor's "Stripper XXI" oil overcharge proposal. Alternatively, if the Committee believes that other types of restitution programs should receive a higher funding priority, it could reallocate one or more of the proposed "Stripper XXI" allocation initiatives to another purpose of the Committee’s choosing.

ALTERNATIVES

1. Approve the “Stripper XXI” oil overcharge expenditure plan dated April 14, 2006, as proposed by the Governor to allocate the expenditure $862,299.80 FED of oil overcharge restitution funds, plus certain additional interest earnings, derived from the following sources: as follows: (a) $152,899.22 of newly received, unprogrammed oil overcharge restitution funds (including all of the accrued and future interest); (b) $40,099 of restitution funds received directly by the state for prior overcharges of state programs; (c) $434,679.24 of residual, deobligated "stripper well" funds from previous allocations that would be reprogrammed; and (d) $234,622.34 of residual, deobligated Exxon funds which would be reprogrammed.

2. Delete the proposed allocation of "Stripper XXI" oil overcharge funds under one or more of the following program elements *[or allocate the funds to another program of the Committee's choosing]:*

Program Element		Governor's Proposal
A.	Bio Diesel Infrastructure	$100,000.00
B.	Hydrogen Demonstration	200,000.00
C.	Transportation Biofuels, Infrastructure and Promotion	335,000.00
D.	Renewable Energy	225,000.00
E.	Energy Program Management	2,299.80*
TOTAL		$862,299.80

*Plus all future interest accruals.

Prepared by: Darin Renner