



Legislative Fiscal Bureau

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October 13, 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 the Save Energy Now Program -- Agenda Item VI

The Governor has submitted a request dated October 8, 2009, for the approval of the use of federal stimulus funding for providing industrial energy audits from American Recovery and Reinvestment Act (ARRA) funds provided for Save Energy Now (SEN) initiatives. The Governor seeks approval of \$350,000 FED in 2009-10 under the FED-continuing federal funds appropriation [s. 20.505(1)(mb) of the statutes].

ANALYSIS

In July, 2008, the U.S. Department of Energy (DOE) issued a funding opportunity announcement for the SEN program, which is an effort to improve energy efficiency and environmental performance of the industrial sector.

The SEN initiative "focuses on reducing energy intensity of U.S. manufacturing and helps industrial facilities operate more efficiently by identifying ways to reduce energy use in key industrial process systems. Save Energy Now includes plant energy assessments, training curricula on plant and system level energy system improvements, a myriad of technical publications, software tools and resources that target industrial energy efficiency and new technologies that offer substantial energy and carbon savings." The funding announcement states that efforts should focus on outreach, education, project identification, project implementation and recognition for industries that seek to reduce energy use by at least 2.5% [the federal Energy Policy Act of 2005 specifies a target of 2.5% annual reduction in industrial energy use through 2017] annually as well as seek to reduce carbon emissions. The federal government intends that this funding assist with the transition of federally and publicly funded energy conservation and reduced carbon emissions programs to the local and private sector.

The Department of Energy anticipated making 12 to 16 awards with project periods of three years. The awards would range from \$300,000 to \$900,000 over that three year period.

In 2008, the Office of Energy Independence (OEI) had asked for \$895,000 FED from DOE's Industrial Technologies Program (ITP) to conduct 52 industrial energy assessments. The application was initially denied, but when federal ARRA funds became available for these assessments, coupled with unused ITP funds, the federal government asked the Office to modify its request to include partial funds from both sources. The first phase would be funded with \$350,000 FED of ARRA funds and could be used to conduct 22 industrial energy assessments (assessments of large utilities) and 15 energy assessments of small and mid-size industrial facilities through an Industrial Assessment Center over an 18-month period. The second phase would be supported by \$545,000 of ITP funds, in which an additional 30 large industry assessments and 28 small and medium industry assessments would be completed over a 24-month period. The following table shows a breakdown of the costs for Phase 1, relating to the ARRA funds. The large industrial customers would include food and dairy, pulp and paper, metal casting, plastics, and printing that have annual use of at least 0.1 trillion BTU's.

	<u>Federal Funds</u>	<u>Match</u>
Contractual		
SAIC Implementation/Management	\$118,284	\$22,000
WPPI	90,000	12,000
DOE Technical Advisory	80,500	80,500
DOE Course Trainers	21,000	
ANSI Pilot*	<u>30,000</u>	<u>15,000</u>
Total contractual	\$339,784	\$129,500
Administration		
Office of Energy Independence	\$9,426	\$0
Department of Administration	<u>790</u>	<u>0</u>
Total Administrative	\$10,216	\$0
Total	\$350,000	\$129,500

* American National Standards Institute pilots would be matched by SAIC and WPPI.

The funding opportunity announcement does not specify a match requirement, but states that additional considerations will be provided to those requests that include a match. In both phases, an in-kind match will be provided: \$129,500 for Phase 1, and \$154,500 for Phase 2. The match will be provided by the following: (a) Science Applications International Corporation (SAIC), which is the vendor used by the Focus on Energy program for industrial assessments; (b) the Wisconsin Public Power Incorporated (WPPI) [a coalition of state municipal utilities]; and (c) vendors who provide technical assistance to the federal government in energy saving assessments.

The funding in Phase 1 would support the following services:

- Science Applications International Corporation would be responsible for the overall

administration of the program, including coordinating all energy assessments and at least three tests of new protocols for industrial facilities that are developed by the American National Standard Institute (ANSI). Funding would include \$137,884 for engineer and technician personnel and \$2,400 of travel costs.

- The Wisconsin Public Power Incorporated would recruit customers in the municipal utility service areas and develop a pilot to test energy management of ANSI protocols (\$23,500) and be responsible for energy assessments at member facilities, which would include \$76,500 for personnel costs and \$2,000 for travel.

- The U.S. Department of Energy would provide senior electrical engineers and electrical technicians. The individuals traditionally work on the ITP program. Costs include \$141,500 for personnel costs and \$19,500 for travel. The application indicates that ITP experts would attend six of the 22 large industrial energy assessments.

- The U.S. Department of Energy would also provide two four-day (\$12,000) and three one-day training classes (\$9,000) for individuals conducting energy assessments.

- Conducting three to five ANSI approved protocol tests (\$45,000). According to the application, the protocols "would provide the tested facilities with high quality, actionable data and analysis with respect to energy saving opportunities for facilities."

- The remaining funds (\$10,216) would be used to pay for program and policy analysts at OEI and data processing, general administration, and indirect costs of the Department of Administration.

On June 11, 2009, the Department of Administration received notice that its application was selected for negotiation of award and that \$350,000 of ARRA funds would be available for Phase 1, which would have a budget period of 18 months. Phase 2 of the project, according to DOE, should be budgeted over the following 24 months and encompass the remainder of the application amounts. The project period was set to begin on September 1, 2009. However, OEI indicates that a contract with DOE has yet to be signed, so the 18-month period has yet to begin.

ALTERNATIVES

1. Approve \$350,000 FED in 2009-10 for industrial energy audits from American Recovery and Reinvestment funds provided for Save Energy Now initiatives under the s. 20.505(1)(mb) of the statutes.

2. Deny the request.

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