

WISCONSIN

Summary of Actions Related to the Propane Shortage Winter 2013–2014

Propane supplies in Wisconsin—and throughout the Midwest—were squeezed this past winter because of several factors:

- A late and large corn harvest, combined with heavy rains, created higher propane use later in the season. Because propane is used to fuel dryers to prepare corn for storage, this caused an inventory draw-down prior to the main propane heating season.
- Disruptions to a supply pipeline in Iowa and Minnesota, which was out of service for about a month.
- A colder than normal winter, contributing to high demand.
- Rising exports.
- Weather constrained rail service and disrupted deliveries from supply hubs.

To alleviate the severity of the propane situation, the Governor’s Office, Wisconsin Department of Administration, and many other stakeholders and agencies responded by undertaking many efforts in a variety of areas.

1. Department of Transportation Extensions and Allowances for Propane Transport

- Governor Scott Walker issued multiple Executive Orders beginning October 25, 2013, allowing propane transport drivers to log additional hours to transport more propane. Carriers continue to remain responsible for ensuring they operate safely.
- On January 3, 2014, the Wisconsin Department of Transportation and the Department of Administration authorized a weight limit relief order for vehicles transporting energy in the state in order to increase the amount of propane carried in a single trip.
- At the request of Wisconsin and other Midwestern states, the U.S. Department of Transportation issued a Midwest regional declaration of emergency on January 19, 2014, extending state emergency declarations for purposes of exempting hours-of-service requirements for propane and fuel transporters through March 15, which enabled more propane to be moved to northern states like Wisconsin.
- Governor Walker signed an Act of the Legislature on April 8, 2014, that allows propane transport trucks to operate over certain local roads (frozen roads) subject to special weight limits in the spring.

2. Customer Support, Call Center, and Wisconsin Home Energy Assistance Program (WHEAP) Actions

- The Division of Energy Services (DES) utilized an existing relationship with the Wisconsin Energy Conservation Corporation (WECC) to institute a statewide toll-free number that was provided to the public. The toll-free number was answered 24/7 during the worst of the crisis. The Call Center fielded over 15,000 propane related calls.
- DES contacted approximately 23,000 low-income propane customers to educate them on the propane shortage, recommend they contact their propane vendor when their tanks reached 30 percent full and provided information on assistance available through the Wisconsin Home Energy Assistance Program.
- DES issued information to all of their local/partner agencies outlining the benefits available to propane customers, including the availability of crisis benefit dollars to pay for lodging or temporary shelter where propane was not available.
- DES revised its heating assistance benefit formula after April 9, 2014, to adjust for the increased demand for WHEAP benefits. The average benefit was decreased by \$50.

- DES established a process for responding to propane related Governor/Legislative Office referrals in less than 48 hours.

3. Crisis Payment to Address Propane Price Spike/Shortage

- After meeting January 27, 2014, with representatives from the propane industry and state government officials, Governor Scott Walker instructed the Department of Administration's Division of Energy Services to release an additional \$7 million in Crisis Benefits, for a total of \$8.5 million in additional funds, to help support low-income Wisconsin residents who use propane to heat their homes. Additionally, DES lifted the maximum benefit cap and co-payment requirements for recipients of crisis assistance that heat with propane.

4. Support for the Keep Wisconsin Warm Fund (KWWF)

- Governor Walker released \$2 million to the Keep Wisconsin Warm Fund. This represents a \$1 million increase over the prior heating season. These funds were from the federal Low Income Home Energy Assistance Block Grant. The funds were provided as match to incent additional public and private donations to the fund. KWWF is a statewide, non-profit charitable organization that provides energy-related crisis assistance to low-income households. KWWF raised public and private matching funds to address the propane emergency of \$2.8 million. Additionally, KWWF increased income eligibility to serve households that heated with propane from 60% to 80% of the State's Median Income.

5. Weekly Reporting of Prices and Availability of Propane

- The State Energy Office/Division of Energy Services collected, on a weekly basis, prices of propane and heating oil throughout the state. This information was provided to the Energy Information Administration of the U.S. Department of Energy.

6. Consumer and Supplier Issues Referred to the Department of Agriculture, Trade, and Consumer Protection

- Propane customers were referred to the Department of Agriculture, Trade, and Consumer Protection (DATCP) Hotline to address customer/vendor concerns.

7. Coordination with Wisconsin Economic Development Corporation (WEDC) on Propane Distributor Loan Program

- Following the January 27, 2014 stakeholder meeting, Governor Walker:

Instructed WEDC to move forward with a \$5 million loan guarantee program. WEDC will provide loan guaranties to banks up to 80% of new or expanded lines of credit to propane dealers in Wisconsin. As wholesale prices rise in the Midwest, propane commercial retailers have exhausted their current lines of credit to meet their customer's rising demand for propane.

Requested WEDC work with financial institutions to encourage them to create or expand lines of credit of up to \$100,000 to propane dealers during the current propane crisis.

8. Coordination with Wisconsin Housing and Economic Development Authority (WHEDA) on Loan Programs

- Following the January 27, 2014, stakeholder's meeting, Governor Walker:

Directed WHEDA to proceed with a \$3 million loan guarantee program. WHEDA will provide loan guaranties to banks of 50% of a total loan for dealers to purchase propane or propane equipment, but not to exceed \$50,000 guarantee amount. The application and approval process is being streamlined to help businesses make purchases more quickly. WHEDA is taking on greater risk because it will be providing loan guarantees to businesses across a spectrum of industries. To mitigate the additional risk, the guarantee will be limited to the lesser of 50 percent of the loan amount or \$25,000 per borrower. The borrower will also be required to sign a personal guarantee. The lender will share at least half the risk on the loan, thereby limiting the number of high risk loan guarantee applications that are submitted.

Created the Consumer Heating Assistance Guarantee Program (CHAG). The Program is intended to address current and future emergencies related to the availability and costs of heating fuel supplies, including certain costs incurred by Wisconsin residents throughout the 2013-2014 winter due to propane shortages.

9. Coordination Efforts with Wisconsin Emergency Management (WEM)

- Wisconsin Emergency Management coordinated with local emergency management directors to monitor warming sites and shelter availability.
- DES and other agencies participated in weekly WEM conference calls and coordinated to share information and data relative to the needs of households heating with propane.

10. Interaction with Midwest Regional State Energy Offices to Coordinate Efforts and Exchange Ideas

- Wisconsin participated in weekly Midwest regional conference calls led by the Michigan PUC to compare notes and share ideas for mitigating the effects of the propane shortage.

11. Stakeholder Management with Propane Associations, Co-ops, and Propane Wholesale Suppliers

- Wisconsin's State Energy Office and Division of Energy Services staff were in frequent contact with individual propane marketers and the Wisconsin Propane Gas Association (WPGA) to get assistance in solving supply problems and trying to prevent citizens from falling through the cracks. WPGA was of tremendous help in getting alternative suppliers for many citizens who could not get fuel.

12. Delivery of Utility Propane to At-Risk Areas of the State

- On February 20, 2014, Governor Walker announced an agreement between the State of Wisconsin, Madison Gas and Electric (MG&E), and We Energies that allowed the state to access 117,000 gallons of propane stored by these utilities to help address the propane shortage. Under the arrangements with the utilities, the state was able to access 72,000 gallons of propane from We Energies and 45,000 gallons of propane from Madison Gas and Electric. The propane was deployed to help meet the needs of citizens qualifying for low-income energy assistance, and was replaced by the state in the non-heating season.

13. Legislative Efforts at the State and the Federal Level

- Governor Scott Walker sent a letter February 1, 2014, to President Barack Obama urging his administration to establish and lead a propane supply chain work group to coordinate the movement of propane from where it is available to where it is needed in the United States.
- 2013 Wisconsin Act 300 was passed in April of 2014. Included in this Act was a provision that allows the Public Service Commission, under certain circumstances, to make it easier for a gas utility to enter into an adjacent service territory to offer natural gas service to new customers.
- On March 27, 2014, Governor Scott Walker signed legislation to assist people struggling to pay high heating bills as a result of the propane shortage and bitter cold winter. Under Assembly Bill 770, the Wisconsin Housing and Economic Development Authority (WHEDA) is administering the emergency heating assistance loan guarantee program. To be approved for emergency heating assistance, applicants must have a household income no higher than 200 percent of the median income of their county, they cannot be eligible for conventional financing, and they must demonstrate reasonable ability to repay the loan. This will allow families to obtain financing of up to \$2,500 through a participating lender with a guarantee of 50 to 80 percent on original amount borrowed. Assembly Bill 770 makes financing more affordable by providing a one-time payment of 3.5 percent to reduce the interest rate on the loan. The bill passed the Assembly 94-1 and unanimously passed the Senate; it is Act 175.

14. Other

- On January 25, Governor Scott Walker urged

The Federal Trade Commission to review the recent price spike in wholesale propane price to ensure no anti-competitive activity occurred.

The Federal Department of Energy to review the impact of propane exports on domestic supply and price.

Other Midwestern States, through the Midwestern Governor's Association, to review jointly, current propane delivery infrastructure and work cooperatively to ensure prudent, cost-effective investments are made.

The formation of a Wisconsin propane task force of industry, government and other stakeholders to make recommendations on steps Wisconsin can take to minimize the potential for future shortages.

- On March 6, 2014, a bipartisan group of Midwestern Governors selected Governor Scott Walker as the next Chair of the Midwestern Governors Association (MGA), with his term starting immediately. Kansas Governor Sam Brownback will serve as Vice-Chair. As part of the announcement, Governor Walker said his primary focus as Chair will be on strengthening the propane supply chain.