

REPORT ON THE LOW-INCOME AND ENERGY EFFICENCY FUND

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The Low-Income and Energy Efficiency Fund Report

The Department of Labor & Economic Growth appropriations bill for 2007-2008 was signed on October 31, 2007 as Public Act 118 and appropriated \$80 million for disbursement from the Low-Income and Energy Efficiency Fund (LIEEF). Section 335 of the Act requires the Michigan Public Service Commission (Commission) to report by June 1, 2008 on the disbursement of funds.

In preparation for Fiscal Year 2009, on April 10, 2008, the Commission issued three requests for proposals (RFPs). On May 1, 2008, the Energy Grants Section received 81 proposals from applicants seeking LIEEF grants. Contingent upon, and consistent with the fiscal year 2009 appropriations bill, the Commission will have authority to award up to \$80 million in grants.

The Commission has issued four orders during the current fiscal year awarding grants from the LIEEF totaling \$79,982,802. They were:

Fiscal Year 2008 (Round 18)

On August 21, 2007, the Commission approved 9 grants totaling \$20 million¹ for low-income energy efficiency projects to the following organizations:

- Department of Human Services - \$13,925,000 in total for statewide distribution to low-income households for energy efficiency upgrades, with up to 20% of the grant available for energy education – (this amount reduced to \$10,425,000 per DHS request).
- Habitat for Humanity of Michigan - \$275,000 for energy efficiency upgrades to low-income homes in Michigan, scheduled for construction in 2008.
- Michigan Community Action Agency Association - \$2,000,000 in total for statewide distribution to provide weatherization upgrades for low-income households, with up to 20% to be spent on client weatherization education.

¹ Modified to \$16,500,000 by the Commission's Order dated January 2, 2008.

- Michigan GREEN - \$500,000 for purchase and distribution of energy saving kits to low-income multi-unit facilities throughout Michigan.
- Newaygo County Community Services - \$600,000 for weatherization of low-income homes in the Mid-Michigan area.
- Nova Development Group of Detroit, L.L.C. - \$1,400,000 for energy efficiency upgrades and installations for low-income multi-family dwellings throughout Michigan.
- United Way Community Services for Southeastern Michigan - \$500,000 for matching grants to non-profit facilities for energy efficiency upgrades, energy efficiency audits, and energy efficiency weatherization education.
- Urban Options, Inc. - \$600,000 for weatherization of low-income clients' homes, with a focus on heating systems, energy kits, and energy education throughout Michigan.
- Warm Training Center - \$200,000 for energy education for customers who receive energy assistance.

Fiscal Year 2008 (Round 19)

On August 21, 2007, the Commission approved eight grants totaling \$50 million for low-income energy assistance to the following organizations:

- Department of Human Services - \$30,900,000 in total. \$25,900,000 for the State Emergency Relief and Energy Direct program to prevent threatened shutoff of energy services and \$5 million for the Arrearage Payment program.
- Downriver Community Conference - \$500,000 for energy assistance to low-income households in the Monroe and southern Wayne County areas.
- Lighthouse Emergency Services - \$200,000 to assist clients in the City of Pontiac and Oakland County areas who are ineligible for assistance from the DHS or for whom such assistance is insufficient or would not be provided in time to avert an emergency.
- Michigan Community Action Agency Association - \$5,000,000 for low-income direct energy assistance.
- Newaygo County Community Services - \$1,000,000 to assist clients in a 10-county area ineligible for the State Emergency Relief Program or for whom such assistance is insufficient or would not be available in time to avert an emergency.

- Society of St. Vincent de Paul of Detroit - \$400,000 for low-income direct energy assistance.
- The Heat and Warmth Fund - \$6,000,000 for the THAW LI/EE program.
- The Salvation Army - \$6,000,000 to serve households statewide ineligible for assistance from DHS or for whom such assistance is insufficient or not available.

Fiscal Year 2008 (Round 20)

On May 8, 2008, the Commission approved 14 grants totaling \$6,482,802 to the following organizations to develop or improve the quality of application of energy efficient technologies and to create or expand the market for such technologies through three distinct focus areas: plug-in hybrid electric vehicle (PHEV) pilot programs related to integration of PHEVs into the electricity grid; programs that would promote and increase the use of Energy Star-qualified compact fluorescent lamps (CFLs); and green community programs that encourage community-based renewable energy and energy efficiency programs.

PHEV Pilot:

- The partnership of the University of Michigan, General Motors Corporation, and DTE Energy Company - \$5,000,000 to study plug-in hybrid electric vehicles as a Michigan economic development catalyst, the near-term vehicle-utility interface, the mid/long-term vehicle utility interface, and the environmental and electric utility system impacts of PHEVs.

CFL Programs:

- Superior Watershed Partnership - \$150,000 to distribute CFLs through Upper Peninsula churches and monitor energy savings with the help of local high school students.
- Urban Options - \$750,000 to "buy-down" the price of CFLs at the manufacturer level to as little as \$.99 per bulb.
- West Michigan Environmental Action Council - \$100,000 to distribute CFLs and evaluate the impact of the program with an emphasis on CFL disposal awareness.

Green Community Programs:

- Charter Township of Delta – \$50,000 for a recycling and eco-awareness campaign involving local high school students.
- City of Taylor Department of Public Works – \$49,120 for the installation of a 9 kW solar photovoltaic panel, 10 kW bio-diesel generator, 100 kW wood chip boiler, and 20 kW wind turbine at the Heritage Park Petting Farm in Taylor, and a program to educate the public about the units.
- City of Lansing Greater Lansing Go Green! Initiative – \$50,000 to help the lodging and dining industries "Green Up" their practices with an education initiative.
- Michigan GREEN – \$49,716 to conduct energy evaluations for small businesses in Delta County
- Michigan Interfaith Power and Light – \$50,000 to conduct energy workshops and awareness events aimed at its congregation members and the general public.
- Michigan Suburbs Alliance – \$47,996 for the development of a regional energy office in the Metro Detroit area that would encourage cities to "go green" through education.
- Recycle Ann Arbor – \$50,000 to provide home energy assessments to Ann Arbor homes and offer access to energy improvement loans based on the findings.
- SEEDS – \$49,990 to provide a green house gas inventory for the Traverse City area and offer solutions as to how green house gas numbers can be reduced.
- WARM Training Center – \$50,000 to educate Metro Detroit businesses and cities on how best to reduce energy consumption.
- Ypsilanti Food Cooperative – \$35,980 to install solar photovoltaic panels on the roofs of its facility and the Ypsilanti Town Hall building, and a website that will show real-time energy savings.

Fiscal Year 2008 (Round 21)

On May 8, 2008, the Commission approved 4 grants totaling \$7 million for low-income energy assistance to the following organizations:

- Department of Human Services - \$4,016,825 to supplement the energy crisis portion of the State Emergency Relief fund and provide direct assistance with energy bills for low-income households statewide.

- Newaygo County Community Services – \$383,175 to provide direct assistance with energy bills for low-income households who live in a ten county region of rural northwest Michigan.
- The Heat and Warmth Fund – \$2,100,000 to provide statewide energy assistance for low-income households and prevent threatened shutoff of energy services.
- The Salvation Army – \$500,000 to provide direct assistance with energy bills for low-income households statewide.

Background of the Fund

The Customer Choice and Electricity Reliability Act of 2000, Public Act 141, authorized the creation of the LIEEF. The LIEEF is administered by the Commission through grants to qualifying organizations. The purpose of the fund is to provide shut-off and other protection for low-income customers and to promote energy efficiency by all customer classes. The fund's original source of funding was utility securitization savings that exceeded the amount needed to achieve a 5% electric rate reduction for residential and business customers. MCL 460.10d(7) specifies the use of a portion of the savings:

If securitization savings exceed the amount needed to achieve a 5% rate reduction for all customers, then, for a period of 6 years, 100% of the excess savings, up to 2% of the electric utility's commercial and industrial revenues, shall be allocated to the low-income and energy efficiency fund administered by the Commission. The Commission shall establish standards for the use of the fund to provide shut-off and other protection for low-income customers and to promote energy efficiency by all customer classes.

During the period described in Section 10d(7), The Detroit Edison Company was the only electric utility to realize excess savings from securitization that met the statutory threshold for making contributions to the fund. (Detroit Edison obtained authorization to issue \$1.8 billion in securitization bonds on November 2, 2000 in Case No. U-12478. Consumers Energy Company,

the only other utility to seek securitization authorization, issued less than \$0.5 billion in bonds pursuant to Case No. U-12505.)

On February 20, 2004, the Commission in its Order in Case No. U-13808 granting interim rate relief, rolled securitization savings into base rates for Detroit Edison's electric customers and continued funding of the LIEEF under the Commission's general ratemaking authority as part of the utility's cost of service. The interim rate mechanism was set to generate \$39,858,000 annually. The Commission in its final Order in Case No. U-13808 issued on November 23, 2004, reaffirmed the \$39,858,000 of annual LIEEF funding through rates. Detroit Edison's remittance of \$39,858,000 annually accrues on a monthly basis. On December 22, 2005, the Commission in its Order in Case No. U-14347 authorized Consumers Energy to fund \$26,536,000 for the LIEEF from its electric customers. Currently Consumers Energy's remittance totals \$26,536,000 annually. On November 21, 2006, the Commission in its Order in Case No. U-14547 authorized Consumers Energy to fund \$17,427,000 annually, for the LIEEF from its natural gas customers. Total annual revenue to the LIEEF is approximately:

Detroit Edison Electric	\$39,858,000
Consumers Energy Electric	\$26,536,000
Consumers Energy Gas	<u>\$17,427,000</u>
Total Annual Revenue	\$83,821,000

Procedural Framework

On November 20, 2001, the Commission issued an Order setting the procedural framework to administer the Fund. Based on PA 141 of 2000, the Commission stated it expected the annual disbursement to fall into three broad categories:

- 1) Energy assistance for low-income customers;
- 2) Conservation and energy efficiency measures targeted toward reducing energy use and energy bills of low-income customers; and
- 3) The development of energy efficiency programs that benefit all customer classes.

Evaluation

The Commission requires grantees to provide data on program accomplishments and problems encountered in completing grant requirements. This information is used to determine if the grantees accomplished the objectives stated in their proposals and resulting grant agreements. This information is also used to assess if and how the distribution of funds should be modified in the future. These results will continue to improve in the future as staff works closely with grant recipients to increase understanding of the level of detail required in the “Interim” and “Bimonthly” reports submitted to the Commission.

To enhance the Commission’s oversight of the LIEEF grant program, the Commission’s staff continues to conduct financial audits of awarded grants.

Past Grant Awards

To date, the Commission has issued orders approving 21 rounds of grants from the Low-Income and Energy Efficiency Fund in the aggregate amount of \$372,401,701, and has

administered funds specially allocated by the Legislature in the amount of \$25,000,000 from the LIEEF for a total of \$397,401,701. The Low-Income Energy Assistance Grants accounted for a total of 11 rounds in which the Commission approved 68 grants totaling \$283,402,771, or 76.1% of total LIEEF dollars expended to date. The Low-Income Energy Efficiency Grants accounted for a total of seven rounds and encompassed 57 grants totaling \$64,322,675, or 17.3% of the total LIEEF dollars expended. Finally, the Michigan Energy Efficiency for all Classes (technology) Grants accounted for three rounds, or 34 grants for a total of \$24,676,255, or 6.6% of the total expended.

Fiscal Year	Round	Grants
2002	1	\$27,402,771 to provide low-income energy assistance.
2002	2	\$12,193,453 to develop or improve energy efficiency technologies.
2002	3	\$ 5,024,985 for low-income energy efficiency projects.
2003	4	\$20,000,000 to provide low-income energy assistance.
2003	5	\$20,000,000 to provide low-income energy assistance.
2004	6	\$ 6,797,690 for low-income energy efficiency projects.
2004	7	\$13,000,000 to provide low-income energy assistance.
2005	8	\$20,000,000 to provide low-income energy assistance.
2005	9	\$ 8,000,000 for low-income energy efficiency projects.
2005	10	\$ 6,000,000 to develop or improve energy efficiency technologies.
2005	11	\$15,000,000 to provide for low-income energy assistance.
2005	12	\$ 5,000,000 to provide for low-income energy efficiency projects.
2006	13	\$41,000,000 to provide for low-income energy assistance.
2006	14	\$10,000,000 to provide for low-income energy efficiency projects.
2006	15	\$25,000,000 to provide for low-income energy assistance.
2007	16	\$45,000,000 to provide for low-income energy assistance.
2007	17	\$13,000,000 to provide for low-income energy efficiency projects.
2008	18	\$16,500,000 to provide for low-income energy efficiency projects.
2008	19	\$50,000,000 to provide for low-income energy assistance.
2008	20	\$ 6,482,802 to develop or improve energy efficiency technologies.
2008	21	\$ 7,000,000 to provide for low-income energy assistance.

Additional information on these grants is available at the Michigan Public Service Commission Website at <http://www.michigan.gov/mpsc>.