

# Affordability, Alignment, and Assistance Subcommittee 10/3/2023

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\*Meeting presentations, recordings, and materials are shared on the EAAC website in the [AAA section](#)

# Agenda

**1**

**Review  
Subcommittee  
Charge and Goals**

**2**

**Objective 2:  
Consumers  
Energy  
Presentation on a  
Low-Income Cost-  
of-Service-Study  
Subclass**

**3**

**Discussion/Q & A  
on the  
Presentation**

**4**

**Next Steps**

# Overarching Charge of the Energy Policy Board

1

The overall goal of the work of the EAAC is to define and ensure energy affordability, accessibility, and security/self-sufficiency in collaboration with the EWR-LI and the LIEPB (its advisory organization) as stated by the Commission through Case No. U20757.

2

To build on these directives, the LIEPB set their primary purpose as “guiding the process of assessing energy affordability and accessibility holistically, especially through linking EWR services and energy assistance programs.”

3

They set as their overarching goal “to reduce the number of households with unsustainable energy burdens.” All work of the Board, EAAC, and EWR-LI Workgroup flowed from this purpose and goal.

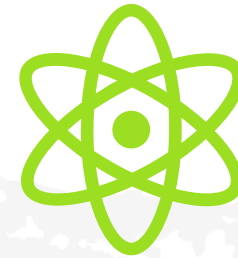
# Shared Goals of the Subcommittee



To promote energy affordability.



To support program alignment for ease of access and use, effectiveness of administration, and evaluation.



To evaluate and improve systems of energy assistance.

# Guiding Principles

The ideal system/program design should achieve this while also:

- **Ensuring equitable distribution** in the access to, use of, and outcomes from energy affordability and assistance policies/programs
- **Centering impacted community priorities** and participation in policy/program development, accountability, and assessment
- **Treating customers with dignity**, enabling them to live comfortably, and not penalizing customers for an inability to pay their bills
- **Coordinating and communicating clearly** with relevant state agencies to integrate state policy goals, including those related to healthy homes and climate change

# Proposed 2023-2024 AAA Charge p. 58— Awaiting Commission Approval

Initiate a stakeholder discussion of DTE's report on the enrollment of customers in the LIA credit program and submit a report and recommendations to the Commission.

Discuss the LIA/RIA enrollment assignment, enrollment cap, and best use/program pairings.

Evaluate the feasibility of a low-income customer subclass in the Cost-of-Service-Study (COSS)

Develop a proposal for an energy affordability standard and how the standard can be integrated into the regulatory environment.

Evaluate and make recommendations regarding PIPPs. (2024)

# Objective 2

Evaluate the feasibility of a low-income customer subclass in the Consumers Energy Electric Cost-of-Service Study (“COSS”)

# Purpose of this Presentation

- ❑ The AAA has been reviewing ways to fulfill MCL 460.11 (2), which authorizes low-income rates (Appendix 1), by means of analyzing the current RIA and LIA credits.
- ❑ Another directive from the Commission was to evaluate the feasibility of a Consumers Energy cost-based low-income electric cost of service study, which is relevant to the above legislation.
- ❑ After this presentation, we will have outlined different possibilities to fulfill this legislation and can make an informed recommendation to the Commission on RIA/LIA credit reform.



# Consumers Energy Low Income COSS

Overview for EAAC, AAA Subcommittee  
October 3, 2023

# Agenda

- 1) Background
- 2) Ratemaking Process
- 3) Study Design
- 4) Study Results
- 5) Summary of Key Findings

# Background

“The Commission agrees with the ALJ that all parties made valid points and ultimately the Commission agrees that a COSS with a low-income customer subclass may be beneficial and recommends the company include a low-income customer subclass in the COSS for the EAAC in Case No. U-20757, but does not require it for the company’s next general electric rate case.”

*Case No. U-20963 December 22, 2021 Final Order (Page 402-403)*

# Ratemaking Process



## Revenue Requirement

Determines the utility's total cost to serve in a test year



## Cost of Service Study (COSS)

Assigns costs to rate classes based on how they contribute/drive those costs.

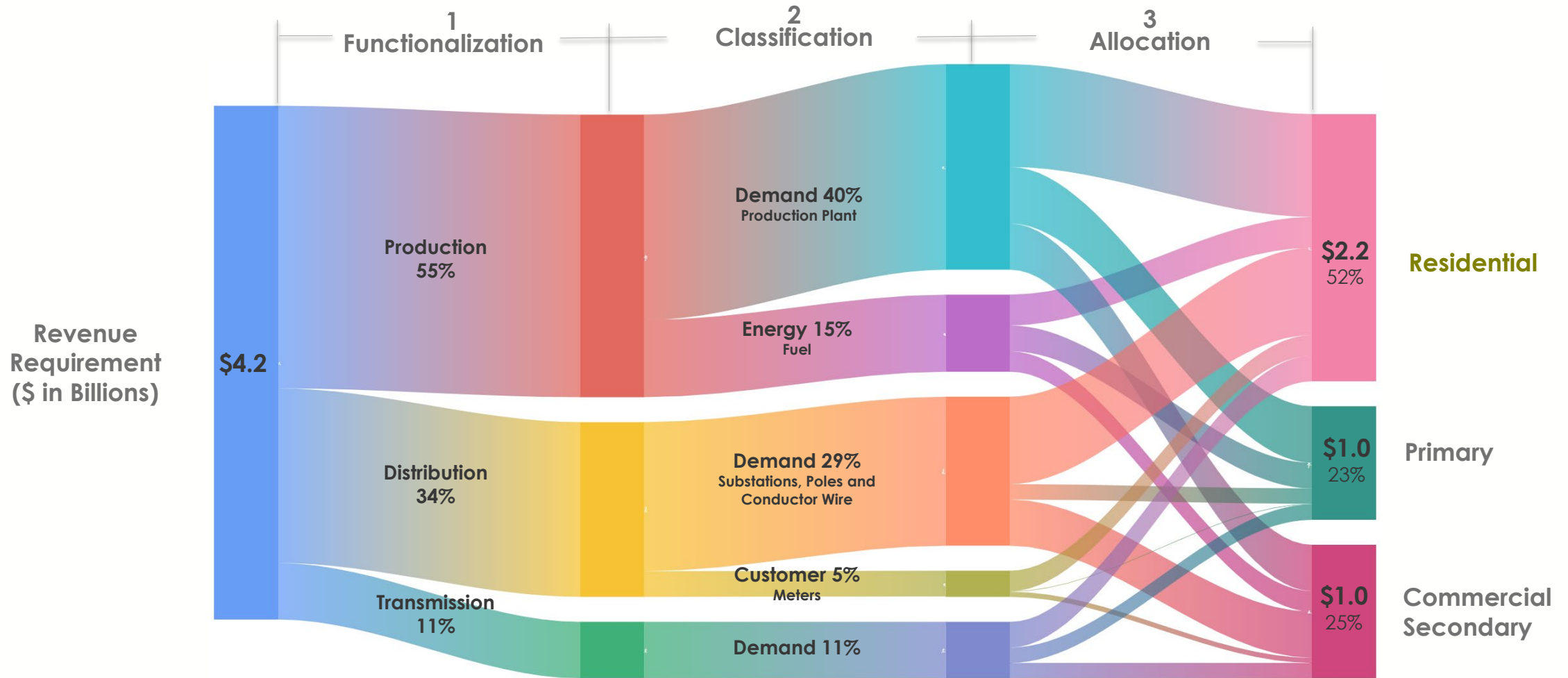


## Rate Design

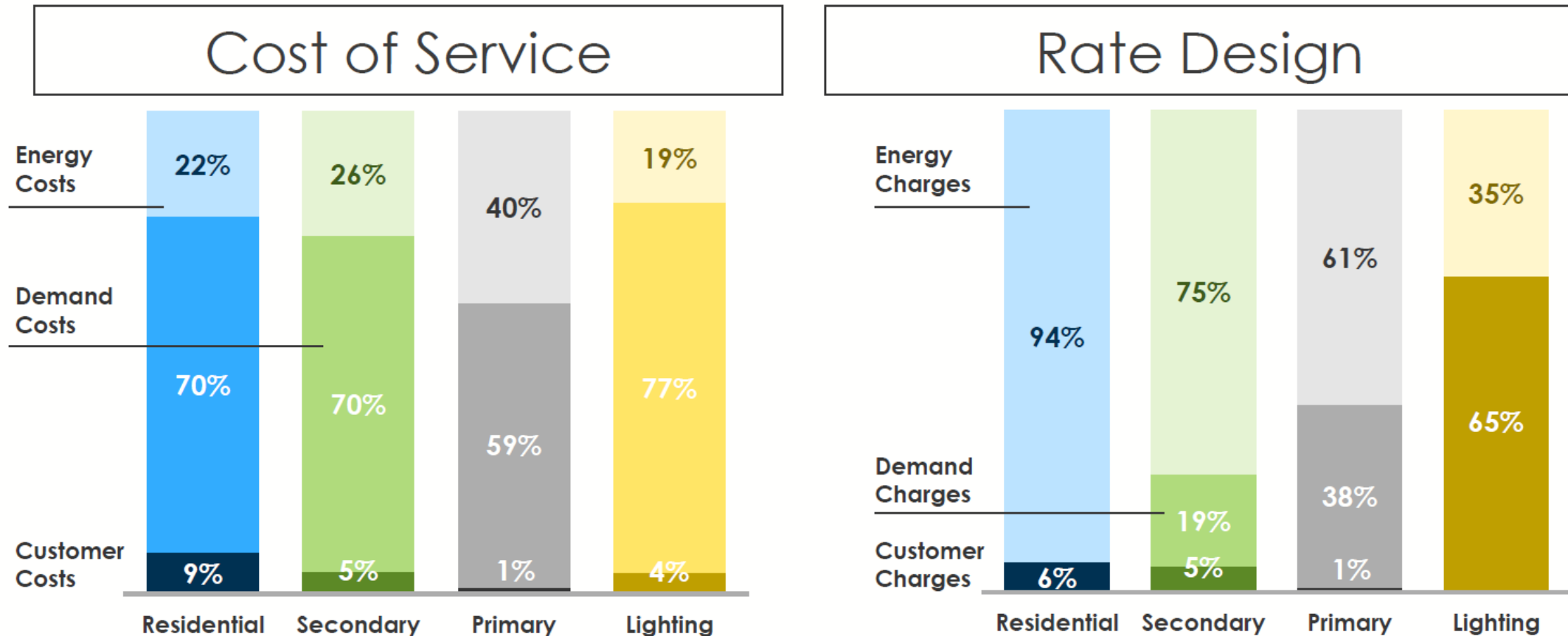
Determines how the costs should be recovered (e.g. fixed or energy charge etc.)



# What is a COSS?



# Differences exist in how costs are allocated in the COSS and how rates are designed



# Residential Rate Design

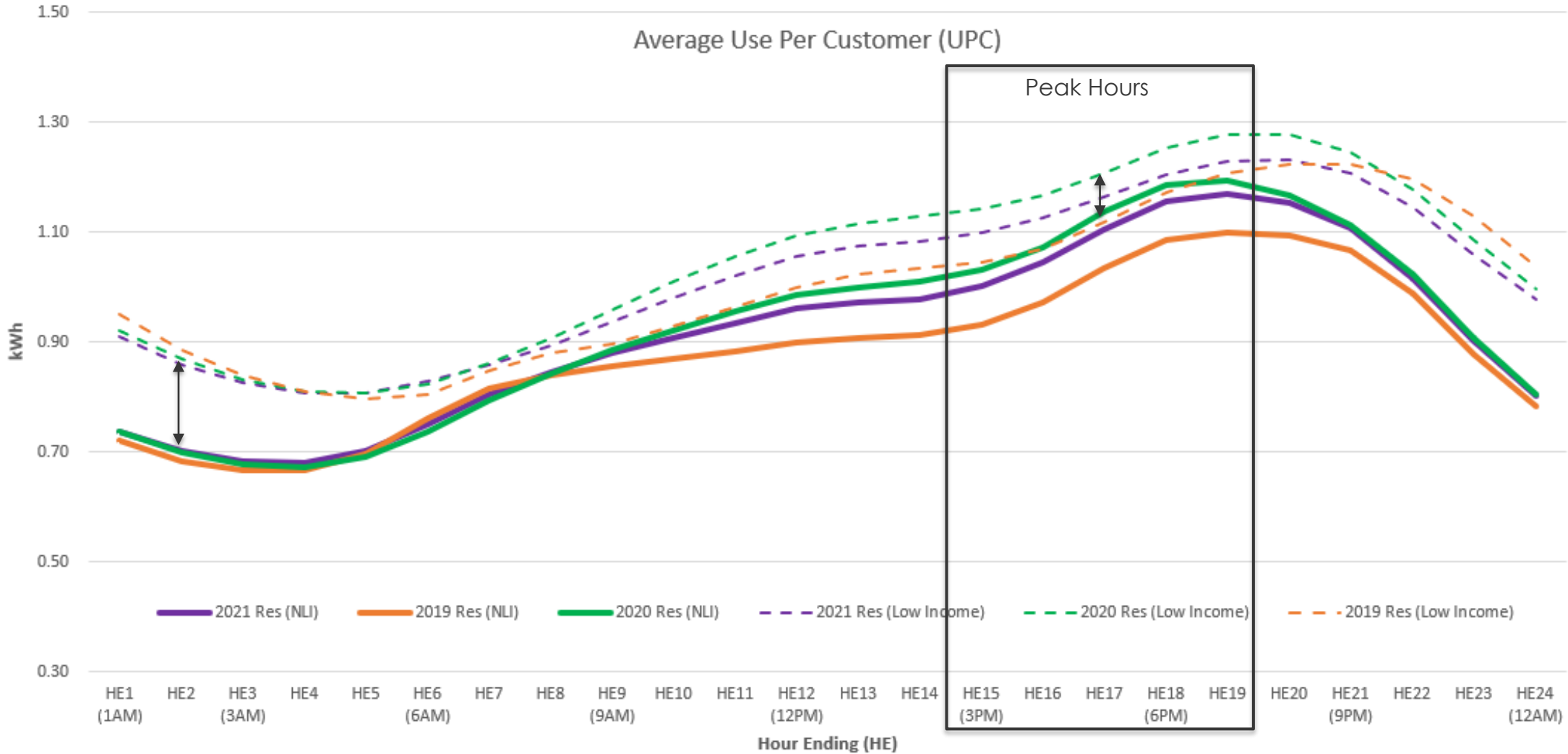
- Four residential rate options – RSP, RSH, RPM, RSM
  - **Summer Peak (RSP)** is the default rate with summer on-peak period, 2pm-7pm
  - **Smart Hours (RSH)** has the same on-peak period as RSP, but year round
  - **Nighttime Savers (RPM)** is the same as RSH, but adds a super off-peak period from 11pm-6am
  - **Non-Transmitting Meters (RSM)** is the former default rate and is now used for smart meter opt-out or non-transmitting locations
- Life Line Credits – senior citizen and low-income monthly credits
  - \$30/month for Low-Income Assistance Credit (LIAC) and \$8/month for Residential Income Assistance (RIA) credit
  - \$11.5M total (as filed) for low-income credits in pending case allocated to all rate schedules using the total COSS results

# Low Income COSS: Study Design

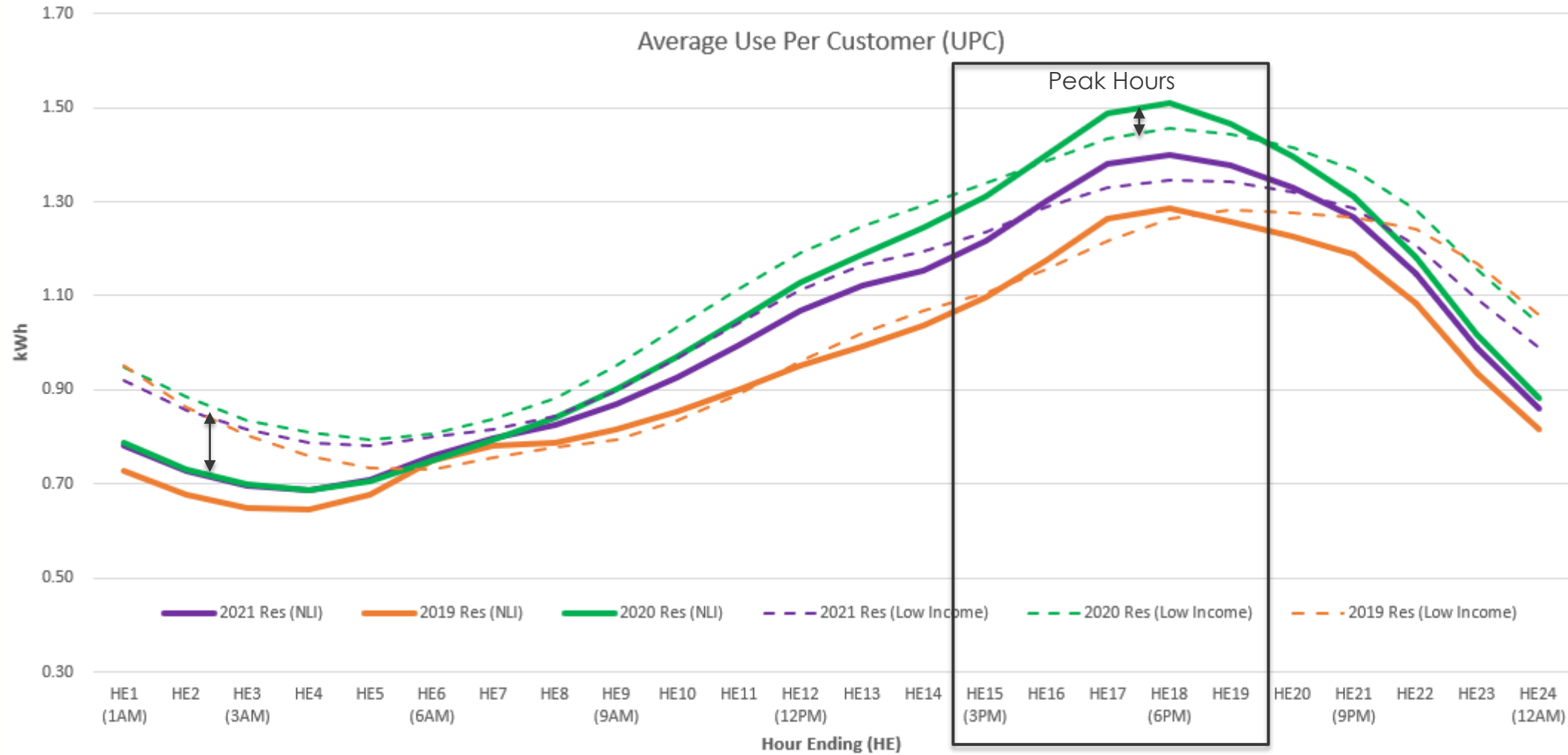
- Started with COSS filed in Case No. U-21389
  - Load Study Years: 2019-2021
  - Test Year: March 1, 2024 - February 28, 2025
- Worked with Load Study Vendor (DNV) to develop Load Profiles (2019-2021) for Residential Low Income and Non-Low Income (NLI).
- Low Income defined as customers taking RIA or LIAC



# Load Study Results: Total



# Load Study Results: Summer Weekday



\* Non-Low Income (NLI)

# Load Study Results: Key Allocators

Production	Primary Cost Type	Non-Low Income				Low Income				VAR
		2019	2020	2021	AVG	2019	2020	2021	AVG	
4CP Demand	75% Production (Generation) Capacity	6.8	7.5	7.1	7.1	6.3	7.1	6.6	6.7	-7%
<b>Total Energy</b>	25% Production (Generation) Capacity	7,703	8,138	8,024	7,955	8,787	9,157	8,899	8,948	<b>12%</b>
<b>12CP Demand</b>	Transmission Expense	15.6	16.9	16.7	16.4	16.4	17.5	17.2	17.0	<b>4%</b>
Seasonal Energy	Fuel and Purchased Power Expense									
<b>Off-Peak Hours (Summer)</b>		1,393	1,468	1,483	1,448	1,530	1,590	1,566	1,562	<b>8%</b>
<b>On-Peak Hours (Non-Summer)</b>		2,403	2,467	2,452	2,441	2,819	2,856	2,797	2,824.2	<b>16%</b>
<b>Off-Peak Hours (Non-Summer)</b>		2,504	2,535	2,527	2,522	3,018	2,999	2,953	2,990	<b>19%</b>
Critical On-Peak Hours (Summer)		405	496	455	452	399	489	447	444.9	-2%
<b>Mid-Peak Hours (Summer)</b>		997	1,172	1,108	1,092	1,023	1,223	1,135	1,127	<b>3%</b>
<b>Distribution</b>	<b>Primary Cost Type</b>									
Customer	Meter/Service Plant & Customer Service Expense	1,563,438	1,558,119	1,545,479		47,882	71,911	97,163		
Class Peak	Nearly all Other Distribution Plant and Exp	2.1	2.4	2.2	2.2	2.0	2.1	1.9	2.0	-11%
SIMD	NOT USED	5.7	6.0	6.6	6.1	5.9	5.8	6.3	6.0	-2%

# Summary of COSS Results

	Filed U-21398				
	Total Residential	Non-Low Income	Low Income		
Distribution: Demand Related Cost	\$ 929,150	\$ 874,068	\$ 52,321		
Distribution: Customer Related Cost	\$ 179,947	\$ 168,633	\$ 11,274		
Production Cost	\$ 1,190,785	\$ 1,112,273	\$ 76,461		
<b>Total Cost (000)</b>	<b>\$ 2,299,882</b>	<b>\$ 2,154,974</b>	<b>\$ 140,057</b>		
Full Service MWH Sales	12,559,141	11,698,027	861,114		
Customers	1,662,850	1,557,791	105,059		
MWH Use Per Customer	7.553	7.509	8.196		
				<b>Annual</b>	<b>Monthly</b>
<b>Total Cost Per Customer</b>	<b>\$ 1,383</b>	<b>\$ 1,383</b>	<b>\$ 1,333</b>	<b>\$ 50</b>	<b>\$ 4</b>
<b>Total Cost Per MWH</b>	<b>\$ 183</b>	<b>\$ 184</b>	<b>\$ 163</b>	<b>\$ 22</b>	<b>\$ 2</b>
				LIAC Credit (Per Customer)	\$ 360 \$ 30
				RIA Credit (Per Customer)	\$ 96 \$ 8

On a per customer basis low-income customers cost \$50 (4%) less to serve...  
but are given a \$96 (RIA) to \$360 (LIAC) credit

# Low Income COSS: Rate Design

- Used proposed rate design in pending case
- Designed low income RSP rate
- Removed low income credits from Non-Low Income rate design
  
- No impact for the Non-Low Income Customer
  - \$125/month average bill under proposed rates and low income COSS
  
- \$5/month lower average bill for the Low Income Customer than the average residential customer (excluding credits)
  - \$120/month average bill with low income COSS
  
- With proposed rates, the average Low Income Customer bill is \$135/month (excluding credits)
  - Higher average total energy consumption for low income customers offsets slightly lower on-peak usage

# Key Findings & Conclusions

- Low Income customers are larger energy users but consume less during summer peak times.
- COSS results (and resulting rates) could materially change based on chosen allocators and load study results.
- The Company does not believe that COSS should be the basis for determining low Income credits.

# Appendix: Acronyms

COSS: Cost of Service Study

RD: Rate Design

RIA: Residential Income Assistance

RSP: Residential Summer On-Peak Basic Rate

LIAC: Low Income Assistance Credit

LI: Low-Income

NLI: Non-Low Income

TOU: Time of Use rates

# Appendix: MCL 460.11

460.11 Establishment of electric rates; establishment of eligible low-income customer or senior citizen customer rates; public and private schools, universities, and community colleges rate schedules. Sec. 11.

(1) Except as otherwise provided in this subsection, **the commission shall ensure the establishment of electric rates equal to the cost of providing service to each customer class.** In establishing cost of service rates, the commission shall ensure that each class, or sub-class, is assessed for its fair and equitable use of the electric grid. If the commission determines that the impact of imposing cost of service rates on customers of an electric utility would have a material impact on customer rates, the commission may approve an order that implements those rates over a suitable number of years. The commission shall ensure that the cost of providing service to each customer class is based on the allocation of production-related costs based on using the 75-0-25 method of cost allocation and transmission costs based on using the 100% demand method of cost allocation. The commission may modify this method if it determines that this method of cost allocation does not ensure that rates are equal to the cost of service.

(2) Notwithstanding any other provision of this act, the commission may establish eligible low-income customer or eligible senior citizen customer rates. Upon filing of a rate increase request, a utility shall include proposed eligible low-income customer and eligible senior citizen customer rates and a method to allocate the revenue shortfall attributed to the implementation of those rates upon all customer classes. As used in this subsection, "eligible low-income customer" and "eligible senior citizen customer" mean those terms as defined in section 10t.



# Reminders Before our Discussion



Use the raise hand function  
in Teams to speak



Be respectful of diverse  
input



Voice dissent in a  
productive and respectful  
manner

# Next Steps



## **Next Meeting:**

Discuss how today's presentation impacts our current objectives.



## **Data:**

RIA/LIA data collection will soon take place to support recommendations to the Commission.



## **Goals:**

We are currently working on directives that have been directed to the EAAC through Commission orders.



## **Leadership:**

Come to us with any concerns or ideas!

# Appendix 1: Authorizing Legislation: MCL 460.11 (2)

“Notwithstanding any other provision of this act, the commission may establish eligible low-income customer or eligible senior citizen customer rates. Upon filing of a rate increase request, a utility shall include proposed eligible low-income customer and eligible senior citizen customer rates and a method to allocate the revenue shortfall attributed to the implementation of those rates upon all customer classes. As used in this subsection, ‘eligible low-income customer’ and ‘eligible senior citizen customer’ mean those terms as defined in [section 10t.](#)”

# RIA Enrollment Process

MDHHS: Customer at or below 150% FPL applies for and receives a SER after receiving a past due energy bill notice.

Treasury: Customer at or below 110% FPL fills out the supplemental tax form to receive the HHC

Customer info and bill payment assistance amount is sent to the customer's utility to apply a payment/credit to their bill.

All SER/HHC customers with participating utilities automatically receive additional RIA bill reduction equal to the amount of the monthly service charge (≈\$5-\$16) for the next 12 months.

•After 12 months, the customer will need to either receive a new SER/HHC or self-attest to being income-eligible to continue receiving the credit.

For select utilities, a limited number of company-selected customers are chosen to receive the LIA instead of the RIA to provide greater payment assistance (\$30-\$40/month).

# RIA Self-Attestation Process

Customer reaches out to their participating utility and requests the RIA.

Participating utilities are required to offer a self-attestation form and may request eligibility proof.

- 150% or below the FPL, Medicaid, SNAP, SER, HHC, MEAP

Approved customers with participating utilities receive RIA bill reduction equal to the amount of the monthly service charge (~\$5-\$16) for the next 12 months.

- After 12 months, the customer will need to either receive a SER/HHC or self-attest to being income-eligible to continue receiving the credit.

For select utilities, a limited number of company-selected customers are chosen to receive the LIA instead of the RIA to provide greater payment assistance (\$30-\$40/month).

# Key Takeaways:

- ❑ Anyone who is identified as eligible for the RIA receives it
- ❑ RIA eligibility determination is simple if a customer already applied for and received SER or HHC.
  - Data release/privacy prevents auto-enrollment for Medicaid and SNAP recipients.
  - Some SER applicants are RIA-eligible but not SER-eligible
- ❑ Utility personnel costs are greater when RIA/LIA customer eligibility is confirmed through self attestation.
  - Self-attestation increases accessibility and decreases customer application burden
  - Many customers do not want utilities to hold personal data
- ❑ How are customers being notified when their RIA is about to expire? And do they know how to handle that?