

Affordability, Alignment, and Assistance Subcommittee 12/5/2023

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Agenda

1

**Review
Subcommittee
Charge and Goals**

2

**Review utility
data submissions
depicting RIA/LIA
reform options**

3

**Discussion on the
data**

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.

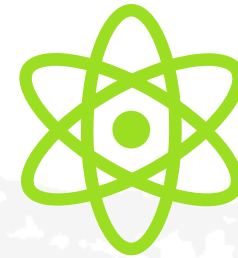
Shared Goals of the Subcommittee



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)

2023 Recap

- ❑ 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.
- ❑ In October, the AAA evaluated the feasibility of a Consumers Energy cost-based low-income electric cost of service study, which is relevant to the above legislation.
- ❑ The AAA has outlined different possibilities to fulfill this legislation and can make an informed recommendation to the Commission on RIA/LIA credit reform with data supporting the final recommendation.

A light blue map of Michigan is positioned in the upper right quadrant of the slide, set against a dark blue background. The map shows the state's outline, including the Upper and Lower Peninsulas.

Utility RIA/LIA Reform Data

Data averaged for fiscal years
2020-2023 for investor-owned
utilities (regulated by the MPSC)

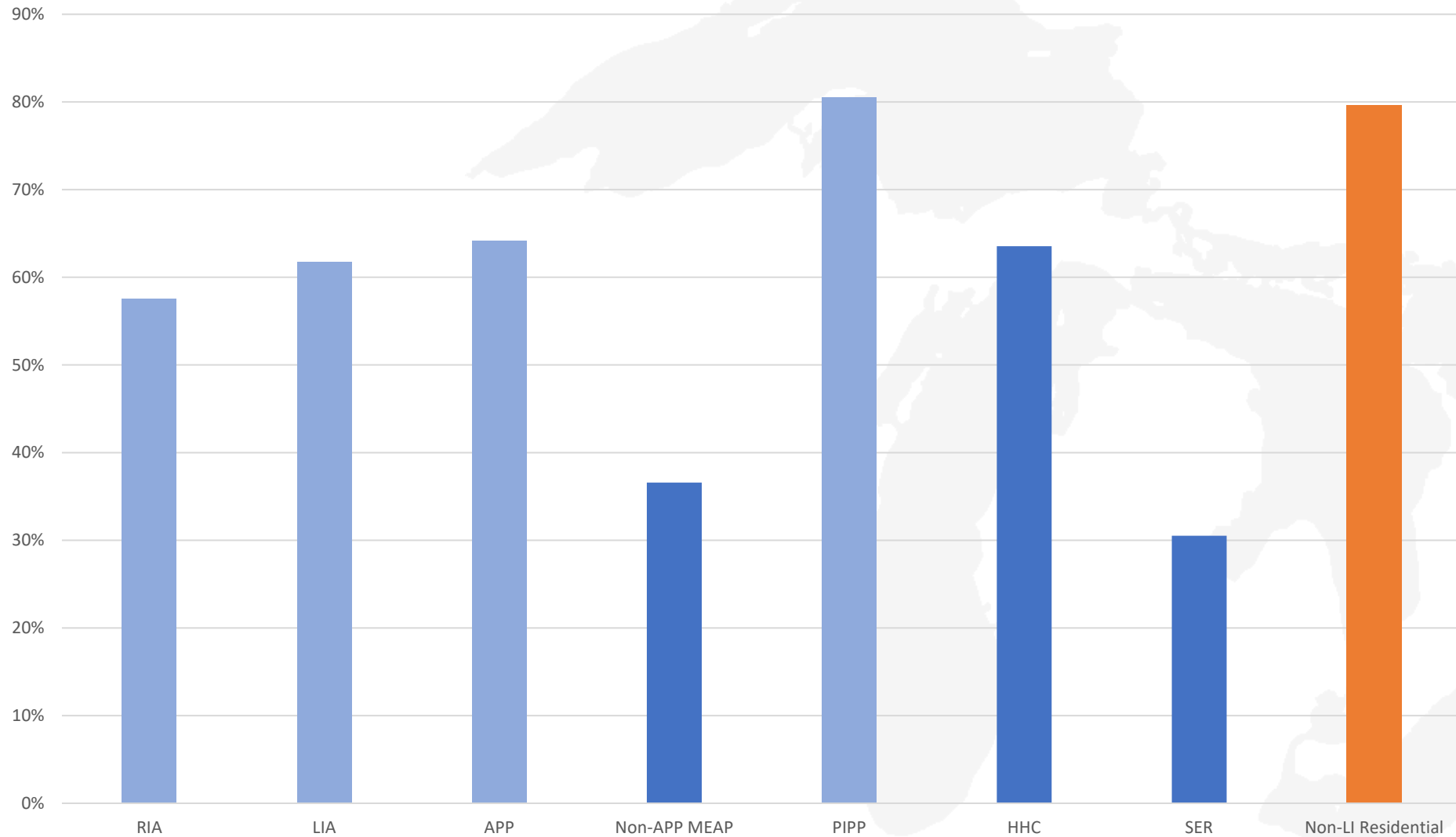
Current Residential and Low-Income Assistance

In Fiscal Year 2023:

- ❑ Number of income-qualified customer accounts \approx 572,000
- ❑ RIA/LIA dollars dispersed \approx \$77,000,000
- ❑ Average income-qualified bill:
 - Electric: \$139.59
 - Natural Gas: \$64.37
 - Combination Service: \$185.25
- ❑ Current cost of administering RIA/LIA for a mid-sized utility:
 - \$30,000 one-time cost
 - \$70,000 annual administration

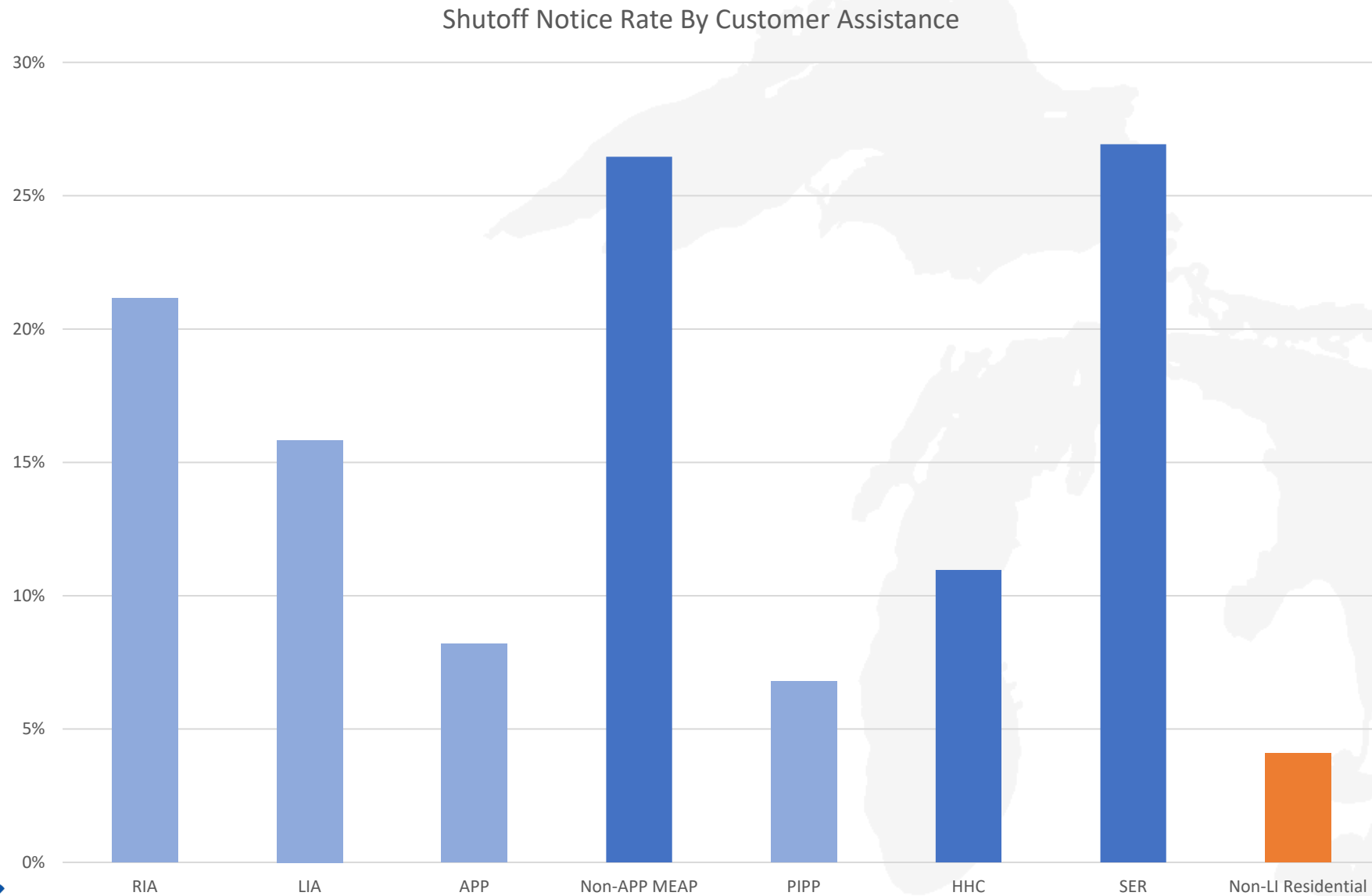
On-time Payment Rate by Assistance Type

On-time Payment Rate By Customer Assistance



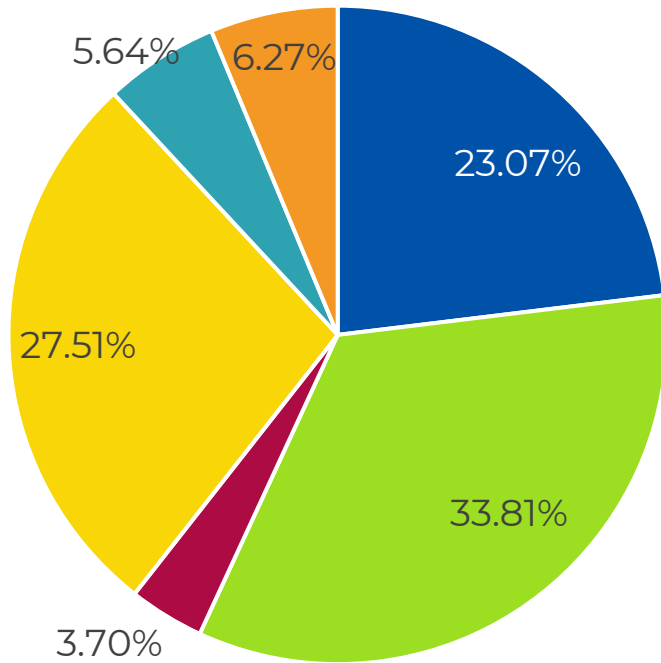
One-time assistance:
dark blue
Monthly assistance:
light blue

Shutoff Notice Rate by Assistance Type

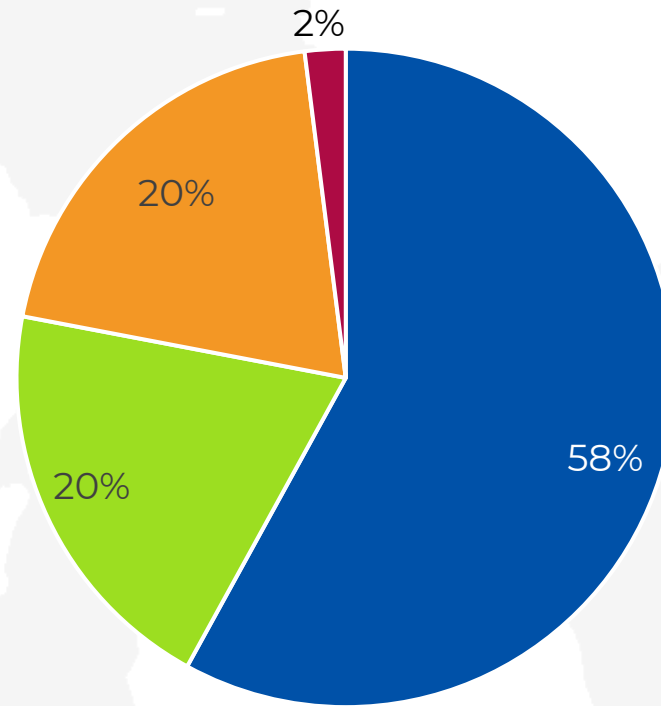


Current LIA Credit Recipients

Large Utility: Groups Prioritized for LIA



Mid-Sized Utility: Groups Prioritized for LIA



■ RIA ■ APP ■ MEAP ■ HHC ■ SER ■ Senior Citizens

■ Low Income ■ APP Graduates ■ Seniors ■ Recent APP Denials with 0-19 FPL

AAA RIA/LIA Reform Options Summary

- ❑ Continue the current administration of the credits
 - Could adjust LIA enrollment cap
- ❑ Reform option 1: continue current credits, but prioritize underserved customers for the LIA
- ❑ Reform option 2: switch to a single credit that is tied to rate increases.
- ❑ Reform option 3: institute a percent of income payment plan
- ❑ The conclusions from the cost-of-service based low-income rate presentation indicated a cost-based rate not providing greater assistance.

Reform Option 1: Prioritize Underserved Customers

- ❑ Anticipated additional administrative burden to implement:
 - Large utility:
 - ❑ \$50,000 annual maintenance cost
 - ❑ \$50,000 in one-time IT upgrades
 - Mid-sized utility:
 - ❑ \$65,000 annual administration cost
 - ❑ \$75,000 one-time cost
 - ❑ \$500 annually for another mid-sized utility depending on which groups are prioritized

*These numbers are based on utility self-reported estimates

*Large utility: 1-3 million customers

Mid-sized utility: 150,000-300,000 customers

Reform Option 2: Single Credit tied to Rate Increases

- ❑ Anticipated additional administrative burden to implement:
 - Large utility:
 - ❑ \$200,000 annually
 - Mid-Sized utility:
 - ❑ \$50,000 one-time expense
 - ❑ Annual administration costs requiring more evaluation.

Reform Option 3: Percent of Income Payment Plan

- ❑ Anticipated additional administrative burden to implement:
 - Large utility:
 - ❑ Estimated cost is \$500,000 annually
 - Mid-Sized utility:
 - ❑ \$260,000 annually to verify income at utility
 - ❑ \$420,000 one-time cost.
 - ❑ To maintain current funding levels, enrollment would have to potentially decrease 33%. To serve all eligible customers, the cost would increase 50%.
- ❑ Bill subsidy costs for one of the current PIPP pilots is \$671 per customer annually with arrearage restrictions and consumption restrictions for customers to qualify.
 - ❑ Current RIA/LIA direct costs are about \$140/customer annually across all utilities.

Comparing Reform Options

	Option 1 (Prioritize underserved for LIA)	Option 2 (Single Credit of \$25 [for example])	Option 3 (PIPP) *Example based off of one piloted utility with income/usage limits
Direct Bill Subsidy Per customer/month:	\$30 for LIA \$5-\$15 for RIA	\$25	\$56
Annually for all eligible customers:	≈\$77,000,000	\$171,490,200	\$383,566,414
Est. Admin Costs One time:	\$50,000-75,000	\$50,000	\$420,000
Annual:	\$50,000-65,000	\$200,000	\$260,000-500,000
Non-Financial Benefit	Benefit customers who haven't had access to greater assistance.	Greater benefit on average. Keeps up with rate increases.	Achieving energy security
Drawbacks	Difficult to determine eligibility.	Inequitable rate increase for smaller utility customers	Inequitable rate increase for smaller utility customers

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

Primer for the Discussion

- ❑ When choosing a reform recommendation, is it best to:
 - Narrow eligibility and availability to provide greater assistance to few?
 - Expand availability, but provide a smaller amount in assistance to all?
 - Expand availability *and* provide greater assistance to all eligible?
 - ❑ Potentially disproportionately impact the energy burden of ALICE customers and other ratepayers.

Next Steps



Next Meeting:

To be scheduled as needed



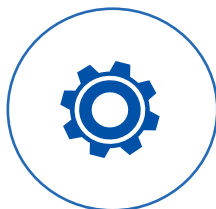
Data:

Aggregated data will be uploaded to the website



Goals:

Awaiting the Commission's U-20757 Order for further Goals



Leadership:

Working on writing the RIA/LIA report to the Commission

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.](#)”

Appendix 2: Energy Assistance Summary

- ❑ RIA credit=equal to monthly customer charge. Automatically applied when customer receives other energy assistance (SER, HHC, MEAP). Can also self-attest
- ❑ LIA credit=\$30-\$40 monthly credit. Applied at company's discretion. Generally given to APP customers to offset MEAP agency's portion of the subsidized bill. Can't receive RIA and LIA together

*See the “program descriptions” sheet of the Low Income Customer Journey document linked on the [AAA website](#) for more assistance and protections information

Appendix 2 cont.: Energy Assistance Summary

- ❑ MEAP: Michigan Energy Assistance Program
 - \$50M collected through the LIEAF surcharge to fund APPs and self-sufficiency services through community agencies
- ❑ APP: the MEAP Affordable Payment Plan
- ❑ HHC: Home Heating Credit
- ❑ SER: State Emergency Relief
- ❑ FPL: Federal Poverty Level
- ❑ ALICE: Asset-Limited, Income-Constrained, Employed