

Legislative Analysis



LIEEF PROGRAM

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House Bill 5190

Sponsor: Rep. Ken Horn

Committee: Energy and Technology

Complete to 12-5-11

A SUMMARY OF HOUSE BILL 5190 AS INTRODUCED 11-30-11

The bill would end the collection of funds for the Low-Income and Energy Efficiency Fund (LIEEF) from consumers as part of their utility bills and require any such funds being held in escrow to be returned to the customers from whom it was collected.

The bill would amend the Public Service Commission's (PSC) enabling act to do the following:

- Prohibit a utility from charging a customer to help fund any low-income and energy efficiency fund.
- Prohibit the PSC from including a low-income and energy efficiency charge in an electric utility's or a natural gas utility's base rates.
- Require the PSC to refund all money being held in escrow for the LIEEF to the customers from whom it was collected in the manner in which it had been collected.
- Require the PSC to pay any entity the amount approved for an energy efficiency grant before refunding the money to utility customers if that entity had completed the energy efficiency project prior to the bill's effective date.

MCL 460.10d

(Note: A companion bill, House Bill 5189, would make a one-time appropriation of \$62 million from federal Temporary Assistance for Needy Families (TANF) money to be used to assist needy families with heating bills this winter. However, the two bills are not tie-barred.)

BACKGROUND INFORMATION:

The Low-Income and Energy Efficient Fund (LIEEF) was created within the Customer Choice and Electricity Reliability Act (Public Act 141 of 2000) to protect low-income residents from utility shut-offs and to promote energy efficiency by all customer classes. PA 141 provided funding for the LIEEF for a period of six years through "securitization savings exceed[ing] the amount needed to achieve a 5% rate reduction for all customers." Through a PSC order, the securitization savings were later rolled into base rates for Detroit Edison's electric customers and funding for the LIEEF became part of the utility's cost of service. Later, other PSC orders authorized Consumers Energy to provide

revenue annually to the LIEEF from its electric and natural gas customers and for Michigan Consolidated Gas Company to provide money annually from its customers. The Legislature granted the PSC authority to expend money from the LIEEF through the appropriations process for programs assisting low income residents with bill payment assistance and energy efficiency and weatherization programs.

However, the provision within the act creating the LIEEF (Section 10d) was amended by Public Act 286 of 2008. All of the references to the LIEEF were deleted by PA 286. Subsequently, on July 21, 2011, in a court case regarding a utility company's requested rate increase, the Michigan Court of Appeals held that because the language referencing the LIEEF had been eliminated by PA 286, the PSC no longer had the authority to fund and administer the LIEEF. (re application of Michigan Consolidated Gas Company to Increase Rates, Docket Nos 298830 and 29887.)

As a result of the COA decision, money collected from utility customers for the LIEEF is being held in escrow while a legislation solution is sought. Legislation is needed to fund the services that LIEEF had provided for, provide authorization for the money that has been collected but not expended to be returned to the customers from whom it was collected, and to provide short-term funding to help low-income residents through the winter while a long-term solution is being developed.

FISCAL IMPACT:

HB 5190 could have an indeterminate impact on the staffing requirements of the Public Service Commission (PSC) if the elimination of the LIEEF results in a reduction in hours required of staff to administer the funds and review grant applications. LIEEF assessments do not support any costs of administrative staff; staffing costs are supported solely by Public Utility Assessments and not GF/GP appropriations.

Table #1 presented below contain LARA's estimates of savings to utility customers if LIEEF assessments currently held in escrow are refunded, while Table #2 presents estimates of customer savings if the LIEEF program was eliminated.

Table #1

Average Customer Refund of LIEEF Funds Held in Escrow*

Detroit Edison	\$0.65 per customer, per month
Consumers (Elec)	\$0.63 per customer, per month
Consumers (Gas)	\$0.33 per customer, per month
MichCon	\$0.15 per customer, per month

* Estimate, through December 2011

SOURCE: Department of Licensing and Regulatory Affairs

Table #2

Average Customer Savings if LIEEF Assessment was Elimiated

<i>per customer, per month</i>	Residential	Commercial	Industrial
Detroit Edison	\$1.58	\$1.42	\$5.70
Consumers (Elec)	\$0.51	\$2.36	\$99.70*
<i>per customer, per month</i>	Residential	C&I Non-Trans	C&I Transport
Consumers (Gas)	\$0.85	\$0.86	\$1.76
MichCon	\$0.27	\$1.17	\$32.31

* This average number is likely skewed higher because of the large use of one customer, and may not accurately reflect the rate impact for the entire class.

SOURCE: Department of Licensing and Regulatory Affairs

However, the PSC notes that if the LIEEF program is eliminated and not replaced with another program to subsidize the energy costs of low-income utility customers, the utilities' uncollectible expenses (from low-income customers) are likely to rise. The rise in uncollectible expenses could result in an increase in the Public Utility Assessment.

Local units of government are eligible to apply for and be awarded grants under the LIEEF program. In the past, the LIEEF program has awarded grants to local units of government which would no longer be able receive LIEEF grants if the program was eliminated or replaced with a wholly state administered program.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.