

# **REPORT ON THE LOW-INCOME AND ENERGY EFFICIENCY FUND**



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**MICHIGAN PUBLIC SERVICE COMMISSION**  
Department of Energy, Labor & Economic Growth

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## **The Low-Income and Energy Efficiency Fund**

The Department of Energy, Labor & Economic Growth (DELEG) appropriations bill for 2008-2009 was approved by the Governor on July 17, 2008 as Public Act 251 and appropriated \$80 million for disbursement from the Low-Income and Energy Efficiency Fund (LIEEF). Due to unspent revenue returned to LIEEF by grantees over the past several years, the Commission was authorized to expend an additional spending authority from the Legislature and Governor to grant an additional \$10,697,000 from the LIEEF. In compliance with the 2008-2009 PA 251, Section 335(2), the Commission's LIEEF report on the distribution of funds was prepared and submitted to the Legislative subcommittees, the state budget office, and the fiscal agencies by November 1, 2009. For the fiscal year 2008-2009, the Commission issued five orders awarding 31 grants from the LIEEF totaling \$90,697,700.

On April 10, 2008, the Commission issued three requests for proposals (RFPs). By the May 1, 2008, deadline, the Energy Grants Section received 97 proposals from applicants seeking LIEEF grants.

On August 26, 2008, the Commission issued three orders awarding grants totaling \$77,499,757 from the LIEEF. Low-Income Energy Assistance grants totaled \$55,000,000;

Low-Income Energy Efficiency grants totaled \$10,000,000; and Michigan Energy Efficiency grants totaled \$12,499,757. The grants awarded by the Commission on August 26, 2008 are summarized below:

<b>Low-Income Energy Assistance Grants</b>	
<b>Organization</b>	<b>Amount Awarded</b>
Department of Human Services	\$38,000,000
Downriver Community Conference	\$600,000
Michigan Community Action Agency Association	\$2,600,000
Newaygo County Community Services	\$2,300,000
Society of St. Vincent de Paul – Detroit	\$500,000
The Heat and Warmth Fund	\$6,000,000
The Salvation Army	\$5,000,000
<b>Total</b>	<b>\$55,000,000</b>

<b>Low-Income Energy Efficiency Grants</b>	
<b>Organization</b>	<b>Amount Awarded</b>
Department of Human Services	\$8,500,000
Newaygo County Community Services	\$500,000
United Way Comm. Services for Southeastern Michigan	\$750,000
WARM Training Center	\$250,000
<b>Total</b>	<b>\$10,000,000</b>

<b>Michigan Energy Efficiency Grants (Efficiency/CFL Bulbs/Green Community)</b>	
<b>Organization</b>	<b>Amount Awarded</b>
A123 Systems, Inc.	\$990,004
Accio Energy, Inc.	\$401,500
City of Southgate Veterans Memorial Library	\$50,000
Detroit Science Center	\$50,000
Heat Transfer International, Inc.	\$2,292,100
Macomb County Health Department	\$314,063
Michigan Technological University	\$1,455,565
MSU – Biosystems and Agricultural Engineering	\$1,538,306
NOVI Energy LLC	\$2,320,000
The Climate Change Coalition of the Battle Creek Community Foundation	\$45,585
Traverse City Light & Power	\$49,875
U.P. Steel	\$1,542,193
Urban Options, Inc.	\$1,000,000
Voices for Earth Justice	\$49,446
Wyandotte Municipal Services	\$356,500
Ypsilanti Food Cooperative	\$44,620
<b>Total</b>	<b>\$12,499,757</b>

On February 13, 2009, the Commission issued two RFPs. By the March 13, 2009 deadline, the Energy Grants Section received 46 proposals from applicants seeking LIEEF grants.

On April 22, 2009, the Commission issued two orders awarding grants totaling \$13,197,943 from the LIEEF. Michigan Energy Efficiency (Renewable Schools) grants totaled \$5,500,000 and Michigan Energy Efficiency (Michigan Saves) grants totaled \$7,697,943. The grants awarded by the Commission on April 22, 2009 are summarized below:

<b>Michigan Energy Efficiency Grants – Renewable Schools</b>	
<b>Organization</b>	<b>Amount Awarded</b>
Recycle Ann Arbor	\$3,500,000
Elkton-Pigeon-Bay Port Laker Schools	\$1,000,000
Great Lakes Energy Service	\$1,000,000
<b>Total</b>	<b>\$5,500,000</b>

<b>Michigan Energy Efficiency Grants – Michigan Saves</b>	
<b>Organization</b>	<b>Amount Awarded</b>
Public Sector Consultants, Inc.	\$7,697,943
<b>Total</b>	<b>\$7,697,943</b>

**Background of the Fund**

The Customer Choice and Electricity Reliability Act, 2000 PA 141 (Act 141), MCL 460.10a *et seq.*, authorized creation of the LIEEF. The legislature appropriates monies annually from the LIEEF for grants that are awarded and administered by the Commission 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 five percent 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 (Detroit Edison) 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 issued an 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 as part of the utility's cost of service. The funding mechanism for the LIEEF was affirmed in the Commission's final order issued on November 23, 2004, authorizing Detroit Edison to provide approximately \$39.9 million annually to the LIEEF.

On December 22, 2005, the Commission issued an order in Case No. U-14347 authorizing Consumers Energy to provide approximately \$26.5 million annually to the LIEEF from its electric customers. On November 21, 2006, the Commission issued an order in Case No. U-14547 authorizing Consumers Energy to provide approximately \$17.4 million annually to the LIEEF from its natural gas customers.

The total annual revenue to the Low-Income and Energy Efficiency Fund is approximately \$83,821,000:

<b>Company</b>	<b>Case No.</b>	<b>Amount</b>
The Detroit Edison Electric Company	U-13808	\$39,858,000
Consumers Energy Company (Electric)	U-14347	\$26,536,000
Consumers Energy Company (Gas)	U-14547	\$17,427,000
<b>Total</b>		<b>\$83,821,000</b>

### **Procedural Framework**

On November 20, 2001, the Commission issued an order, Case No. U-13129, 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.

On January 13, 2009, the Commission issued an order amending the procedures for implementing and administering the Low-Income and Energy Efficiency Fund set forth in Attachment A of the Commission's November 20, 2001 order, Case No. U-13129. Up to 10 percent of the monies in the LIEEF may be used directly for funding contractual services that are related to low-income assistance, energy efficiency, energy technology, and the objectives of 2008 PA 295, including renewable energy, energy optimization, and distributed generation projects.



## **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. The reporting of 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 bimonthly and financial status 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.

## **Historical Grant Awards & Allocations**

The Commission issued orders approving 190 grants from the Low-Income and Energy Efficiency Fund in the aggregate amount of \$463,099,401 and administered funds that were specially allocated by the Legislature in the amount of \$25,000,000 from the LIEEF for a total of \$488,099,401. Additional information on grants awarded is available at the Michigan Public Service Commission Web site at <http://www.michigan.gov/mpsc>.

<b>2002-2009 LIEEF Grant Awards &amp; Other Allocations</b>	<b>Number of Grants</b>	<b>Amount</b>	<b>% Disbursed</b>
Low-Income Energy Assistance	75	\$338,402,771	73.10%
Low-Income Energy Efficiency	61	\$74,322,675	16.00%
Michigan Energy Efficiency	54	\$50,373,955	10.90%
Sub-Total:	190	\$463,099,401	100.00%
Two Legislative Allocations	--	\$25,000,000	--
<b>Total</b>	<b>192</b>	<b>\$488,099,401</b>	<b>--</b>