Utility-Offered Low and Low-Moderate Income programs

Extending the benefits of energy efficiency to those who need it most

Presented by
the Illinois Attorney General's Office

Utility low income statutory obligations

Ameren IL, ComEd, Nicor Gas, and Peoples Gas-North Shore Gas shall "coordinate the allocation of available funds and markets served with DCEO to ensure a Portfolio of Energy Efficiency Measures proportionate to the share of total annual utility revenues in Illinois from households at or below one-hundred and fifty percent (150%) of the poverty level."

The energy efficiency "programs shall be targeted to households with incomes at or below eighty percent (80%) of area median income (AMI)."

See Section 8-103(f)(4) and 8-104(f)(4) of the Public Utilities Act; Illinois Energy Efficiency Policy Manual Version 1.0, p. 14

Other relevant statutory directives: (8-103(f))

- "Each utility's plan shall set forth the utility's proposals to meet the utility's portion of the energy efficiency standards identified in subsection (b) and the demand-response standards identified in subsection (c) of this Section as modified by subsections (d) and (e), *taking into account the unique circumstances of the utility's service territory*." (emphasis added)

The Need in Illinois For Low-Income-Directed Energy Efficiency is Great

- ***For Low Income utility customers in Illinois, it is the worst of times…***
  - **Due to State of Illinois budget delay, no PIPP in 2015-2016**
  - **Federal 2015-2016 LIHEAP dollars (~$148.8 million) are down by $20 million from FY 2014-2015**
  - **Release of State matching dollars delayed until December 7th, resulting in one-month delay of LIHEAP grants and under-staffed LAAs**
  - **Illinois Association of Community Action Agencies reports that ~150,000 fewer households will receive LIHEAP funds this year over last year***

***December 2, 2015 Press Conference, Statement of Dalitso Sulamoyo, Pres. And CEO, Illinois Association of Community Action Agencies**

The Need in Illinois For Low-Income-Directed Energy Efficiency is Great

- In FY 2015, even with full state funding, LIHEAP funds were depleted before the fiscal year ended
- DCEO low income and public sector programs hampered due to inability to pay vendors as a result of Illinois budget delay
- Cuts/discontinuation of other state assistance programs due to budget crisis drains customer monthly budgets

*December 2, 2015 Press Conference, Statement of Dalitso Sulamoyo, Pres. And CEO, Illinois Association of Community Action Agencies

The Need in Illinois For Low-Income-Directed Energy Efficiency is Great

- **In Illinois, "[T]he number of households facing unaffordable home energy burdens is staggering. According to the most recent five-year American Community Survey, more than 309,000 Illinois households live with income at or below 50% of the Federal Poverty Level and face a home energy burden of 26% (of monthly income)."**
- **More than 372,000 *additional* Illinois households live with incomes between 50% and 100% of the Federal Poverty Level and face a home energy burden of 14%.**
- **In 2014 the total number of Illinois households below 200% of the Federal Poverty Level rose from the prior year.**

One estimate: Number of Illinois Low Income Households

Poverty Level	Number of Households	
	2013	2014
Below 50%	297,469	309,197
50 – 100%	362,286	372,105
100 – 125%	202,420	205,661
125 – 150%	209,318	215,657
150 – 185%	297,424	297,044
185% - 200%	116,375	116,525
Total < 200%	1,485,292	1,516,189

Source: 2014 Home Energy Affordability Gap, R. Colton, pub. April, 2015

Percent of Low Income Customers By Utility Territory

Utility	<poverty	<150% poverty	<80AMI	<50AMI	<30AMI
ComEd	13.0%	21.0%	40.1%	24.4%	13.2%
Ameren Elec	14.3%	23.0%	42.0%	24.3%	12.7%
Ameren Gas	13.2%	22.2%	41.3%	23.3%	11.5%
Peoples	18.0%	28.6%	47.6%	32.0%	17.9%
North Shore	7.4%	11.7%	27.8%	15.5%	6.9%
Nicor	8.5%	14.9%	32.9%	17.7%	8.6%
Statewide - gas customers	11.5%	19.2%	37.6%	21.8%	11.1%
Statewide - electric customers	13.3%	21.4%	40.5%	24.3%	13.0%
Statewide	14.2%	22.5%	41.7%	25.6%	14.0%

Note: Excludes heat in rent/master metering

Source: David Baker (Energy Resources Center) Utility-Specific Research

What is 80% AMI?   One example...

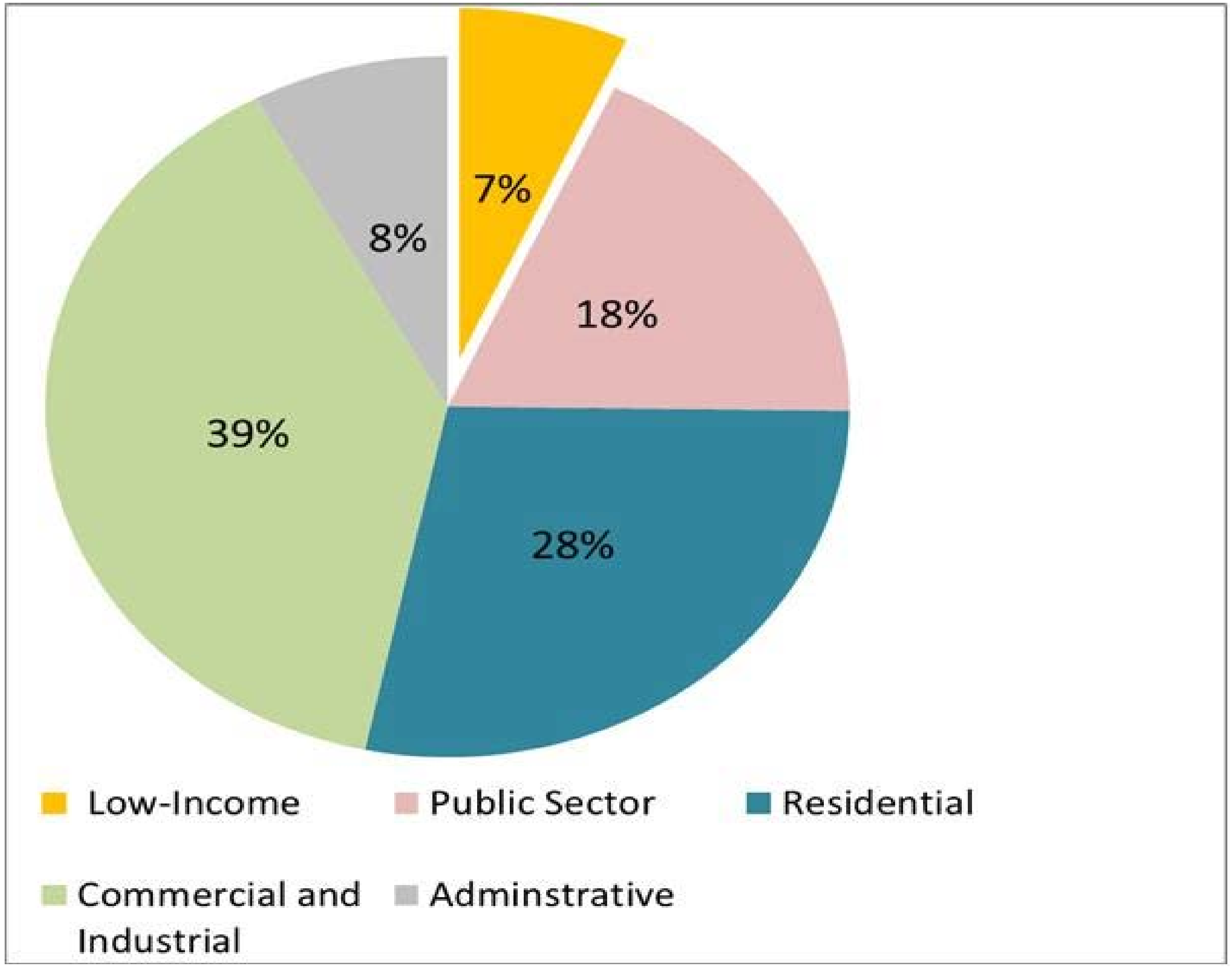
Household Size	Chicago-Naperville-Joliet, IL HUD Metro Area Area Median Income Limits 2015 (Effective March 6, 2015)					
	50%	60%	80%	100%	120%	140%
1	$26,600	$31,920	$42,600	$53,200	$63,840	$74,480
2	$30,400	$36,480	$48,650	$60,800	$72,960	$85,120
3	$34,200	$41,040	$54,750	$68,400	$82,080	$95,760
4	$38,000	$45,600	$60,800	$76,000	$91,200	$106,400
6	$44,100	$52,920	$70,550	$88,200	$105,840	$123,480

DCEO budget dollars alone don't cover the need…

DCEO Integrated Natural/Electric Efficiency Plan Budget (millions)

	Percent of Total Budget	Electric				Natural Gas				Total EEPS Budget
		Year 1	Year 2	Year 3	Total	Year 1	Year 2	Year 3	Total	
Public Sector	53%	$28.70	$29.05	$29.19	$86.94	$11.61	$11.39	$10.99	$34.00	$120.93
Breakthrough Tech.	3%	$1.62	$1.64	$1.65	$4.92	$0.63	$0.63	$0.56	$1.83	$6.75
Low Income	24%	$13.00	$13.16	$13.22	$39.37	$5.29	$5.29	$5.30	$15.88	$55.24
Market Transformation	10%	$5.41	$5.48	$5.51	$16.40	$2.11	$2.11	$2.19	$6.42	$22.82
EM&V	3%	$1.62	$1.64	$1.65	$4.92	$0.63	$0.63	$0.63	$1.90	$6.82
Marketing	2%	$1.08	$1.10	$1.10	$3.28	$0.42	$0.42	$0.42	$1.27	$4.55
Administration	5%	$2.71	$2.74	$2.75	$8.20	$1.06	$1.06	$1.06	$3.17	$11.37
TOTAL	100%	$54.15	$54.81	$55.07	$164.03	$21.76	$21.55	$21.15	$64.46	$228.49

Low Income Spending only 7% of EEPs dollars



Source: Elevate Energy, based on 2013 program administrator ICC filings

The Price of Utility Delivery Service Is Not Going Down…

- **Ameren Gas Rate Increases since 2007:**
  - **Ameren CIPS:**
    - **2007 case – (11%)**
    - **2009 case – 2.5%**
    - **2011 case – 15.6%**
    - **2013 case – 18%**
    - **2015 case – 13.78% requested**
  - **Ameren CILCO**
    - **2007 case – 11.74%**
    - **2009 case – 2.78%**
    - **2011 case – 9.63%**
    - **2013 case – 9.48%**
    - **2015 case – 17% requested**
  - **Ameren IP**
    - **2007 case – 30%**
    - **2009 case – 2.42%**
    - **2011 case – 9.17%**
    - **2013 case – 6.64%**
    - **2015 case – 14.33% requested**

Source: ICC Rate Case Report, Financial Analysis Division

The Price of Utility Delivery Service Is Not Going Down…

- **Peoples Gas Increases**
  - **2007 case - 18.23%**
  - **2009 case - 15.15%**
  - **2011 case - 11.39%**
  - **2012 case - 10.93%**
  - **2014 case - 11.92%**
    - **At $30.84, Peoples' monthly heating customer charge is highest in the state;**
    - **Per therm delivery charge of 19.47 cents is highest in the state**
    - **AMRP program estimated to total between $6 and $8 billion dollars**

Source: ICC Rate Case Report, Financial Analysis Division

The Price of Utility Delivery Service Is Not Going Down…

- **Nicor Gas Increases**
  - **2008 case - 14% increase**
  - **Customer charge of $13.55 month**
  - **Per therm delivery charge of 4.85 cents/therm**

- **North Shore Gas Increases**
  - **2007 case - (0.33%)**
  - **2009 case - 21.27%**
  - **2011 case - 2.52%**
  - **2012 case - 8.63%**
  - **2014 case - 4.22%**

Source: ICC Rate Case Report, Financial Analysis Division

The Price of Utility Delivery Service Is Not Going Down…

- **Ameren Electric Increases**
  - **2012 Initial F.R. filing (1.48%)**
  - **2012 F.R. update (1.90)**
  - **2013 F.R. update (5.80%)**
  - **2014 F.R. update 28.38%**
  - **2015 F.R. update request 11.44%**

- **ComEd Increases**
  - **2011 Initial F.R. filing (6.40%)**
  - **2012 F.R. update 2.25%**
  - **2013 F.R. update 16.97%**
  - **2014 F.R. update 9.89%**
  - **2015 F.R. update request (2.58%)**

Source: ICC Rate Case Report, Financial Analysis Division

BOTTOM LINE: *Utility Expansions of Existing Low Income EE Programs and Additional, Coordinated LI and Low-Mod Programs Greatly Needed*

Questions to be asked:

- What percentage of Utility Residential portfolio should be allocated to these customers?
- What EE implementation model(s) makes sense in order to leverage existing EE dollars and programs?
- What vendor contracting and marketing strategies should be followed to remove barriers to energy efficiency participation?

What percentage of Residential portfolio should be allocated to these customers?

Check the utility-specific LI percentages

Utility	<poverty	<150% poverty	<80AMI	<50AMI	<30AMI
ComEd	13.0%	21.0%	40.1%	24.4%	13.2%
Ameren Elec	14.3%	23.0%	42.0%	24.3%	12.7%
Ameren Gas	13.2%	22.2%	41.3%	23.3%	11.5%
Peoples	18.0%	28.6%	47.6%	32.0%	17.9%
North Shore	7.4%	11.7%	27.8%	15.5%	6.9%
Nicor	8.5%	14.9%	32.9%	17.7%	8.6%
Statewide - gas customers	11.5%	19.2%	37.6%	21.8%	11.1%
Statewide - electric customers	13.3%	21.4%	40.5%	24.3%	13.0%
Statewide	14.2%	22.5%	41.7%	25.6%	14.0%

Note: Excludes heat in rent/master metering

LIHEAP/PIPP participation levels *not* a reliable estimate of low income population within a utility service territory

- In 2014, only 30 percent of the eligible low-income population in Illinois (334,000 households) participated in LIHEAP

- Similarly, PIPP, which has the same income limit as LIHEAP, served 59,286 IL households in 2014, or only 5.4% of the eligible population.

(R. Colton, May, 2014 Illinois Home Energy Affordability Gap. Available at http://www.homeenergyaffordabilitygap.com/03a_priorYearAffordability/03a_affordabilityData13.html);

http://www.liheapch.acf.hhs.gov/dereg/states/illinois.htm .

➢ *What EE implementation model(s) makes sense in order to leverage existing EE dollars and programs?*

- **Expansion of existing (or previously existing) low Income DCEO programs that can be easily coordinated with Utilities using Residential budget dollars**
  - **E.g., local vendor partnerships – achieving deep retrofits in low income multi-family housing through audits, rebates, financing**
  - **LI Residential Retrofit –- deep retrofits in single-family, 2-flats**
  - **New Construction via coordination with Illinois Housing Development Authority – existing and targeted new construction program for affordable housing**
  - **Joint electric/gas programs**

- **Low-Moderate Income customers: Increased incentives for Low-Moderate Income customers (300% of poverty), similar to Ameren's successful model**
- **New Educational Programs coordinated with DCEO?**

What vendor contracting and marketing strategies should be followed to remove barriers and increase LI EE participation?

- *Don't reinvent the wheel*
  - **Utilize local, experienced contractors**
  - **Benefits:**
    - **Trusted, proven cost-effective providers**
    - **Minimizes participation/language barriers**
    - **Avoid unnecessary start-up and marketing costs**
    - **Critical, well-established ties to community groups**

What vendor contracting and marketing strategies should be followed to remove barriers and increase EE participation?

- **Invest in deeper, longer-lived savings (Behavioral programs won't cut it…)**
- **Eliminate unnecessary barriers to participation and deep, long-lived savings**
  - **Fix the discrepancies in qualification for OBF loans (DCEO customers ineligible for CIC loans are currently precluded from OBF participation)**
  - **Ensure your OBF package, *at a minimum*, includes all portfolio measures (why shouldn't LI res'l customers have the same measure flexibility C&I customers have?)**
  - **Meet regularly with DCEO and other EE market players who work to increase housing affordability throughout the State to coordinate strategies (*see* CIC proposal)**
  - **Don't just focus on LIHEAP/PIPP customer base – that won't reach all eligible low income customers!**

Cost-effectiveness calculation for LI programs should incorporate certain avoided costs:

- **A utility low income EE program should consider non-traditional avoided costs in its assessment of the cost-effectiveness of low-income EE measures and programs.**
  - **Expenses associated with delinquent payment, or nonpayment, are avoidable costs to the system just as energy and capacity costs are.**
  - **To the extent that efficiency measures can help reduce delinquent payment expenses, those reduced expenses should be included in the calculus of "avoided costs."**
  - **Such avoided expenses would include, for example, avoided bad debt, avoided working capital, avoided credit and collection expenses.**
  - **Other societal or non-energy benefits?**

Source: R. Colton*, "Reviewing Utility-Funded Low Income Energy Efficiency Programs: A Suggested Framework for Analysis"*
http://www.fsconline.com/downloads/Papers/1995%2002%20UtilFundedEfficiency.pdf

Added benefits to Utility participation in low income programs…

- "As indicated in previous program years and evaluation reports, the timeline for releasing (DCEO) grant funds is one of the most challenging aspects of completing work for the Residential Retrofit Program. Grantees are unable to schedule work or order equipment until a grant award letter is received. The long timeline between applying for and receiving funds often limits the time available to complete the project."

Source: ADM Associates, Inc. Evaluation of DCEO's LI 2013-2014 program, p. 3-4

Yet another reason to invest in Low Income energy efficiency…

- The U.S. EPA's Clean Power Plan includes the Clean Energy Incentive Program, designed to incentivize early investments (prior to 2022) in energy efficiency investments in low income communities.
  - EPA provides matching Emissions Rate Credits (ERCs) or allowances in 2020 and 2021 that can be banked for later use.
  - 1-to-1 matching program for investment in energy efficiency programs in low-income communities.
  - Win-win for the State of Illinois and its residents.

Source: http://www.epa.gov/cleanpowerplan/fact-sheet-clean-energy-incentive-program

Which current Residential Programs should be reduced or eliminated to permit low-income program spending?

- **Some ideas…**
  - **Spend less on behavioral programs that produce short-lived savings**
    - **less relevant for multi-family customers?**
  - **Incorporate a specific, dedicated percentage of existing Home Energy Audit and Direct Install programs to your low-income and moderate income customers**
  - **Review existing Refrigerator Recycling and appliance rebate allocations…are they relevant to this segment of the Residential customer base?**

One more thing…Utility costs present the best opportunity to reduce operating expenses and help sustain affordable housing (National Housing Trust)

Figure 3. Top four categories of operating expenses per unit in master and individually metered subsidized multifamily housing

Comments?

- *Let's keep the discussion and collaboration going…*