

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter, on the Commission's own motion,            )  
regarding administration and operation of the            )  
Low-Income and Energy Efficiency Fund.                    )  
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Case No. U-13129

At the October 2, 2001 meeting of the Michigan Public Service Commission in Lansing,  
Michigan.

PRESENT: Hon. Laura Chappelle, Chairman  
          Hon. David A. Svanda, Commissioner  
          Hon. Robert B. Nelson, Commissioner

**ORDER AND NOTICE OF HEARING**

On June 5, 2000, Public Act 141 of 2000 (Act 141) took effect. Subsection 10d(6) of Act 141 provides:

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. The commission shall issue a report to the legislature and the governor every 2 years regarding the effectiveness of the fund.

MCL 460.10d(6).

On October 24, 2000, the Commission issued an order in Case No. U-12505 authorizing Consumers Energy Company to proceed with securitization for up to \$468,592,000 of its regulatory assets (net of certain regulatory liabilities) and other qualified costs. Similarly, on November 2, 2000, the Commission issued an order in Case No. U-12478 authorizing The Detroit

Edison Company (Detroit Edison) to securitize up to \$1,774,202,000. On January 4, 2001, the Commission issued orders on rehearing in both cases.

Following issuance of the Commission's orders on rehearing in Cases Nos. U-12478 and U-12505, Detroit Edison sold its securitization bonds, achieved securitization savings in excess of those needed to provide a 5% rate reduction for all of its customers, and began segregating all excess savings for future use in financing the Low-Income and Energy Efficiency Fund (the Fund) created by Subsection 10d(6) of Act 141. According to Detroit Edison, it has approximately \$12 million available for disbursement to this fund.<sup>1</sup> Moreover, on September 28, 2001, Governor John Engler signed the 2001-2002 fiscal year appropriations bill for the Department of Consumer and Industry Services. Included in that bill is a provision authorizing the Commission to begin making distributions from the Fund of up to \$60 million annually.

The Commission finds that it should take immediate steps to establish a process for its operation and administration of the Fund. It therefore concludes that it should conduct a public hearing at 2:00 p.m. on October 11, 2001 at the Commission's offices, 6545 Mercantile Way, Lansing, Michigan, to receive public comments regarding the following proposed process:

I. Grant Procedures.

- A. Written grant proposals are required. Written proposals are public documents and shall be made available to the public in compliance with the Freedom of Information Act, MCL 15.231 et seq.
- B. Grantees are required to submit a written final report and written progress reports to the Commission at least once a year.
- C. Grantees are required to maintain records of expenditures and to submit a financial report to the Commission at the end of each 12-month period.

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<sup>1</sup>Consumers recently indicated that it now stands ready to begin issuing its own securitization bonds, although it is doubtful that the dollar value of the bonds that it plans to sell at this time will result in excess savings covered by Subsection 10d(6) of Act 141.

- D. All grantees are subject to audit by the Commission Staff or other auditor designated by the Commission.
- E. Grantees who receive \$100,000 or more in any 12-month period will be required to submit an audited financial report for the period.

## II. Allocation of Disbursements from the Fund.

- A. Disbursements will be allocated for both the purpose of protecting low-income customers and promoting energy efficiency. Proposals serving both purposes will normally be funded each year, but the proportion allocated to each may vary from year to year.
- B. Total disbursements for the promotion of energy efficiency should benefit all customer classes, but no single grant must necessarily be applicable to all classes.
- C. Both single-year and multiple-year proposals may be funded.
- D. The Commission will issue a final decision on the proposals to be funded and the amount of funding for each.
- E. The amount of funds allocated to any purpose should take into account the pre-existing sources of funding for that purpose.
- F. For low-income proposals, the Commission should consider the benefits received by low-income customers relative to the cost of the proposal.
- G. For energy efficiency proposals to improve the customers' utilization of energy, the Commission should consider the following:
  - 1. The net present value of the benefits expected to be received by customers relative to the cost of the proposal.
  - 2. The mix of energy efficiency proposals previously approved by the Commission regarding both types of measures and classes of customers.
  - 3. The anticipated benefits of the proposal on the development of a sustainable market for energy efficiency measures.

In addition to comments on the above process, the Commission is interested in suggestions on the degree to which available funds should be divided between support for current projects and investment for the purpose of supporting future projects. One option is to invest a portion of the

funds and utilize the proceeds from that investment to fund future projects. The Commission seeks comments on the advisability of this option and the proportion of funds that should be invested for future use.

In addition to presenting their positions to the Commissioners at the October 11, 2001 hearing, any interested persons may submit written comments regarding the proposed process. Written comments, which should reference the case number of this proceeding, must be received on or before October 12, 2001 in order to be considered.

After the conclusion of the hearings and the receipt of written comments, the Commission will issue an expeditious final order on the process to be followed. The Commission intends to accept grant proposals shortly thereafter. Interested participants are encouraged to begin preparing grant proposals now.

The Commission FINDS that:

- a. Jurisdiction is pursuant to 1909 PA 106, as amended, MCL 460.551 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; 1939 PA 3, as amended, MCL 460.1 et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; and the Commission's Rules of Practice and Procedure, as amended, 1992 AACS, R 460.17101 et seq.
- b. A public hearing should be held concerning a proposed process for the administration and operation of the Fund.
- c. Interested persons should be provided an opportunity to present oral or written comments.

THEREFORE, IT IS ORDERED that:

A. A public hearing regarding the establishment of a process for the administration and operation of the Low-Income and Energy Efficiency Fund shall be held at 2:00 p.m. on Thursday, October 11, 2001 at the Commission's offices, 6545 Mercantile Way, Lansing, Michigan.

B. The public hearing will be legislative in nature and any person may present data, views, questions, and arguments regarding the proposed process set forth in this order. Statements may be limited in duration to ensure that all interested persons have an opportunity to participate in the proceedings.

C. Any person may submit written comments, suggestions, data, views, questions, and arguments concerning the proposed process. Written comments must be submitted to the Michigan Public Service Commission, 6545 Mercantile Way, Lansing, Michigan, 48909 and must be received on or before October 12, 2001.

The Commission reserves jurisdiction and may issue further orders as necessary.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ Laura Chappelle  
Chairman

( S E A L )

/s/ David A. Svanda  
Commissioner

/s/ Robert B. Nelson  
Commissioner

By its action of October 2, 2001.

/s/ Dorothy Wideman  
Its Executive Secretary

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MICHIGAN PUBLIC SERVICE COMMISSION

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Chairman

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Commissioner

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Commissioner

By its action of October 2, 2001.

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Its Executive Secretary

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Suggested Minute:

“Adopt and issue order dated October 2, 2001 commencing a public hearing regarding the administration and operation of the Low-Income and Energy Efficiency Fund, as set forth in the order.”