

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  | ) | Case No. U-13129 |
| Low-Income and Energy Efficiency Fund.         | ) |                  |
| _____  | ) |                  |

At the November 20, 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

**OPINION AND ORDER**

Section 10d(6) of the Customer Choice and Electricity Reliability Act, MCL 460.10d(6), requires a portion of the cost savings from the issuance of securitization bonds to be used as a source of funding for the Low-Income and Energy Efficiency Fund (Fund). Public Act 119 of 2001, the Department of Consumer and Industry Services (CIS) appropriations bill for 2001-2002, provides the current fiscal year's appropriation for the Fund. On October 2, 2001, the Commission issued an order and notice of hearing to receive public comments regarding a process for administering the Fund. On October 11, 2001, the Commission conducted a four-hour public hearing, at which 19 persons made presentations. The Commission also received 69 written comments from interested persons or organizations.

The Commission takes this opportunity to express its appreciation for the time and effort of the persons who participated in this proceeding and expressed their viewpoints. The Commission

recognizes that fulfilling the statutory mandate of Section 10d(6) with respect to low-income and energy efficiency concerns is a matter of great public interest, and it has found the advice, recommendations, and information conveyed by commenting persons to be of considerable assistance in developing a framework for the Fund.

Although the order commencing this docket intended that the comments address procedural matters relating to the steps necessary to start the Fund, many of the comments dealt directly with specific projects for which the proponents seek funding. The Commission has found all of the comments helpful, if only to get a sense of the variety of potential funding needs for low-income customers and energy efficiency. However, the Commission is not now in a position to make specific funding decisions or identify specific projects, programs, or objectives for funding. Instead, the Commission adopts the suggestion in the comments submitted by the Commission Staff (Staff) to undertake the design of specific objectives and funding priorities in the form of requests for proposals (RFPs) that the Commission will develop in conjunction with the Staff and issue shortly. The RFPs will impose more detailed parameters for qualifying programs and criteria for funding, and will solicit the proposals that the Commission will review as the basis for making actual funding decisions.

This order establishes the procedural framework that the Commission will implement to establish and administer the Fund, and creates procedures to be used in considering specific proposals. Most of the commenting parties did not speak directly to the process proposed in the October 2, 2001 order, which suggests that there is not a serious objection in principle to that process. The Commission finds that the process, as outlined in the order, is an appropriate basis for the procedures to implement and administer the Fund, as required by Section 10d(6). Moreover, the comments submitted by the Staff undertake a detailed critique of the process and reach

the conclusion that, if modified in a few respects, it would be appropriate. The Commission commends the thorough analysis provided in the Staff's comments and intends to rely on it as a guideline to the future design and implementation of the Fund's programs.

The Staff's comments specifically address Items I.B. and I.C. of the proposed process, which call for annual reporting by Fund grantees. The Staff says that more frequent reporting may be necessary to ensure that programs stay on track and that monthly progress reports are common as a matter of grant practice. The Commission agrees with the Staff's comment in principle. The frequency of reporting will depend upon the nature of the activity being funded, the complexity and duration of the program, and the overall dollar amount. In practice, the Commission intends to issue more detailed reporting standards in its RFPs. The Commission therefore restates Item I.B. as follows: "Grantees are required to submit a written final report and written progress reports to the Commission as required in the request for proposals as a condition of the grant." It restates Item I.C. as follows: "Grantees are required to maintain records of expenditures and to submit financial reports to the Commission as required in the request for proposals as a condition of the grant."

The Staff comments that the cost-benefit criteria set forth in Item II.F. should not be limited to projects that serve low-income customers. The Commission agrees and restates Item II.F. as follows: "The Commission should consider the benefits received relative to the cost of the proposal." The Staff further supports the energy efficiency criteria set forth in Item II.G. The Commission would add that the funding criteria described in these items are not the only criteria that the Commission and the Staff may consider in making funding determinations. With the modifications suggested by the Staff, the Commission approves the process outlined in the

October 2, 2001 order as a framework for administering the Fund. (A copy of the approved process appears as Attachment A to this order.)

As already noted, this order does not attempt to make a conclusive determination as to how the total funding will be allocated. Actual funding determinations must await the submission of detailed proposals in response to the RFPs that the Commission will issue. However, the Commission sets forth some of its preliminary considerations to give interested persons an idea as to how the Commission intends to implement the Fund and select specific proposals for funding.

The Commission expects that the Fund's annual disbursements for each of the six program years in Section 10d(6) will fall into three broad categories: (1) energy assistance for low-income customers, (2) conservation and energy efficiency measures targeted toward reducing the usage and bills of low-income customers, and (3) the development of energy efficiency programs that benefit all customer classes. In addition, the Commission intends to set aside a portion of the annual proceeds to create an endowment-type fund to finance programs that assist low-income customers and energy efficiency projects with a time horizon extending beyond the six-year period in Section 10d(6). Because the 2001-2002 winter heating season is imminent, it is important to streamline the RFP procedures for low-income energy assistance, so that help can be provided as soon as possible. Therefore, the Commission and the Staff will prepare an RFP limited in scope to low-income assistance (category #1) on an accelerated track, as suggested in the Staff's comments. The Commission will address the other two categories, low-income energy efficiency and all customers' energy efficiency programs, through the issuance of a separate RFP or set of RFPs on a

more deliberate track.<sup>1</sup> The Commission concurs with the Staff's target date of the end of April 2002 for issuing the RFP or RFPs covering categories #2 and #3. Although the Commission does not intend to make binding decisions regarding how to allocate the funding until it reviews actual proposals, it currently projects that it will allocate approximately 75% of the funding for low-income energy assistance and low-income conservation and energy efficiency (categories #1 and #2) and approximately 25% for energy efficiency programs for all customer classes (category #3). These proportions include amounts set aside to provide an endowment for funding future programs.

When the RFPs are ready for issuance, the Commission will post them on its website and issue a press release providing notice of them. In addition, the Commission will provide notice of the RFPs for the Fund's first year to all persons submitting comments in this proceeding. Copies of the RFPs will also be available upon request.

As noted, the Legislature formally appropriated funding for this fiscal year in 2001 PA 119. In taking the administrative steps necessary to implement Section 10d(6), the Commission will rely on established procedures used by the Department of Management and Budget and the Department of Consumer and Industry Services for awarding grants, making disbursements, and managing the grants on an ongoing basis.

To clarify concerns raised by a few, the Commission interprets Section 10d(6) to provide the basis for funding programs that affect all types of energy assistance and efficiency, not merely electricity, and to cover programs that extend throughout the entire state, not merely Detroit Edison's service territory. The wording of Section 10d(6) does not support a more restrictive

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<sup>1</sup>It is necessary to develop separate tracks to accelerate the payment of energy assistance for low-income customers. However, the Commission is not foreclosing low-income customer proposals on the accelerated track that combine financial assistance for paying bills with energy efficiency measures that reduce billed usage.

interpretation. Detroit Edison's comments in this proceeding do not suggest that the benefits of the program should be limited to its own customers.

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 AACRS, R 460.17101 et seq.

b. As modified in this order, the proposed process set forth in the October 2, 2001 order in this docket should be adopted as the framework for implementing and administering the Fund.

THEREFORE, IT IS ORDERED that:

A. The process set forth in Attachment A is approved as the framework for implementing and administering the Low-Income and Energy Efficiency Fund pursuant to Section 10d(6) of the Customer Choice and Electricity Reliability Act.

B. A copy of each request for proposal will be available upon request when it is issued by the Commission.

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

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

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 November 20, 2001.

/s/ Dorothy Wideman  
Its Executive Secretary

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Suggested Minute:

“Adopt and issue order dated November 20, 2001 approving a procedural framework for the administration and operation of the Low-Income and Energy Efficiency Fund, as set forth in the order.”

## ATTACHMENT A

### 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 as required in the request for proposals as a condition of the grant.
- C. Grantees are required to maintain records of expenditures and to submit financial reports to the Commission as required in the request for proposals as a condition of the grant.
- 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: (1) energy assistance for low-income customers, (2) conservation and energy efficiency measures targeted toward reducing the usage and bills of low-income customers, and (3) the development of energy efficiency programs that benefit all customer classes. Proposals serving each purpose 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. The Commission should consider the benefits received 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.