

The Need for More Investment in Low and Low-Moderate Income Energy Efficiency Through Utility Programs

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



Statutory obligations of utilities regarding low income energy efficiency program investment

Utilities 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.

Other relevant statutory directives highlight the goal of reducing costs to consumers

- Section 8-103 of the PUA

“It is the policy of the State that electric utilities are required to use cost-effective energy efficiency and demand-response measures to reduce delivery load.”

- Section 8-104 of the PUA:

“It is the policy of the State that natural gas utilities and the Department of Commerce and Economic Opportunity are required to use cost-effective energy efficiency to reduce direct and indirect costs to consumers.”

Other relevant statutory directives highlight the need for each utility program to assess the needs of its service territory (8-103(f) and 8-104(f) of the PUA):

- ▶ “Each utility's plan shall set forth the utility's proposals to meet the utility's portion of the energy efficiency standards ...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

- Due to State of Illinois budget impasse, no PIPP in 2015-2016
- Release of State matching dollars delayed until December 7th, resulting in one-month delay of LIHEAP grants and under-staffed LAAs
- In FY 2015, even with full state funding, LIHEAP funds were depleted before the fiscal year ended
- DCEO low income and public sector energy efficiency programs hampered due to inability to pay vendors as a result of Illinois budget impasse
- Cuts/discontinuation of other state assistance programs due to budget crisis drains customer monthly budgets

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 793,000 *additional* Illinois households live with incomes below 150% of the Federal Poverty Level. In all, more than 1,102,000 households at or below 150% of FPV.
- ▶ In 2014, the total number of Illinois households below 200% of the Federal Poverty Level rose from the prior year.

2016 FEDERAL POVERTY GUIDELINES FOR THE 48 CONTIGUOUS STATES AND THE DISTRICT OF COLUMBIA*

Persons in family/household	Poverty guideline
1	\$11,880
2	16,020
3	20,160
4	24,300
5	28,440
6	32,580
7	36,730
8	40,890

*U.S. Dept. of Health and
Human Services

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%

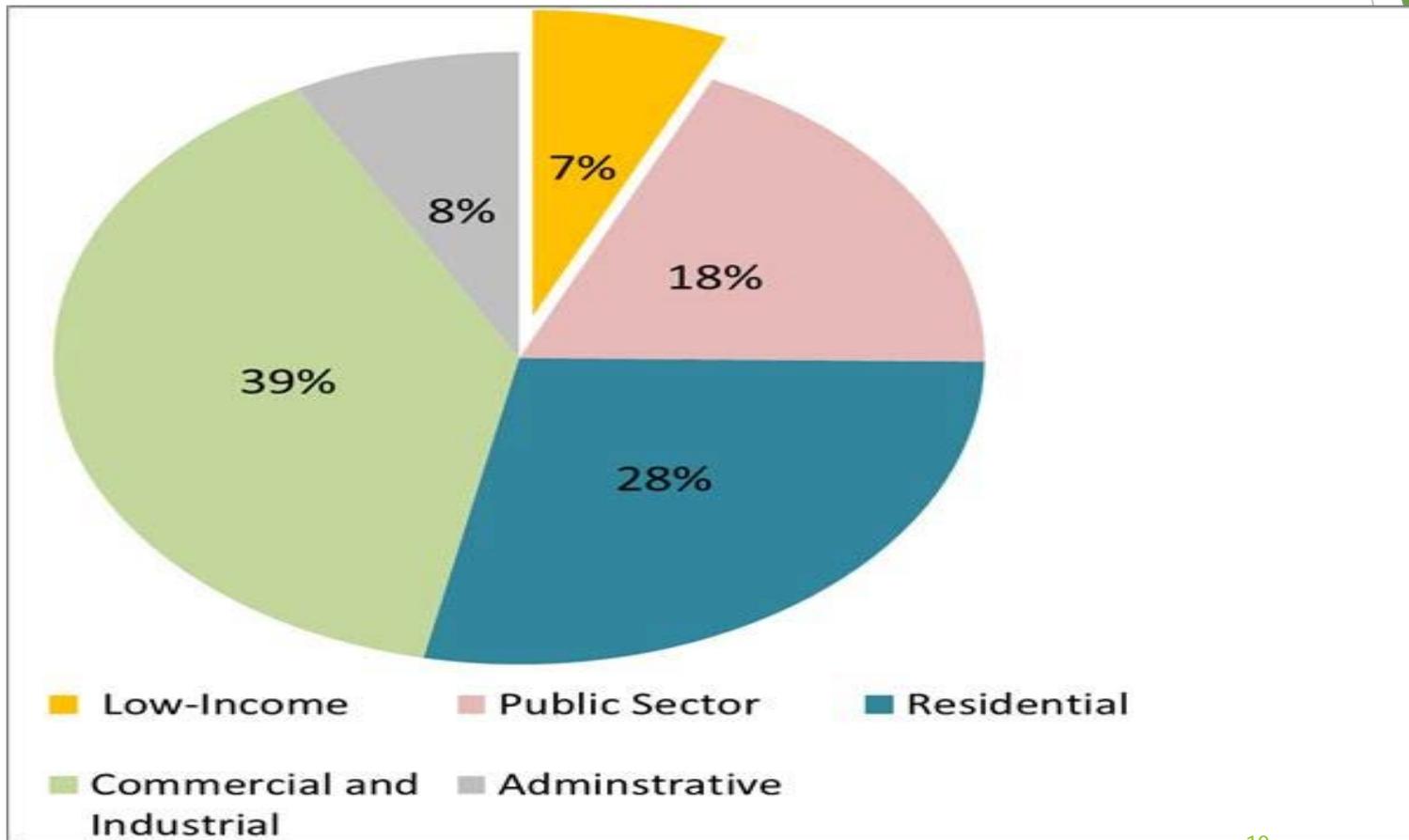
Note: Excludes heat in rent/master metering

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

Low Income Spending only 7% of total EEPs dollars



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 – 14.59%

Ameren CILCO

- 2007 case – 11.74%
- 2009 case – 2.78%
- 2011 case – 9.63%
- 2013 case – 9.48%
- 2015 case – 11.80%

□ Ameren IP

- ▶ 2007 case – 30%
- ▶ 2009 case – 2.42%
- ▶ 2011 case – 9.17%
- ▶ 2013 case – 6.64%
- ▶ 2015 case – 11.79%

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 \$10+ billion dollars

The Price of Utility Delivery Service Is Not Going Down...

➤ 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 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 (2.58%)

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?

Discussions To Increase LI/LM EE Investment Have Begun in Stakeholder Advisory Group (SAG) Three-Year Planning Process

- ▶ Begun last fall in SAG
- ▶ Illinois Energy Efficiency Policy Manual (approved by ICC in December, 2015) makes SAG planning process official Illinois energy efficiency policy, effective June 1, 2017
- ▶ OAG presented formal proposal for utility-sponsored/managed low income/low-moderate income programs *in addition to* DCEO low income programs
- ▶ Utilities, to their credit, appear to have embraced the concept
- ▶ This month, utilities will begin presentation to SAG of draft plans and budget allocations
- ▶ Optimistic about consensus agreement on low income investment
- ▶ *Implementation details and coordination with DCEO critical*

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

- ▶ 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 percentage of Residential portfolio should be allocated to these customers?*

Check the utility-specific LI percentages

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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

Other Considerations...Housing Stock and Utility Customer Classification

TABLE C1. AFFORDABLE MULTIFAMILY HOUSING UNIT COUNTS BY UTILITY, BUILDING SIZE, AND SUBSIDY TYPE*

Utility	<i>Buildings with 5-49 units</i>			<i>Buildings with 50 or more units</i>		
	PH	SA	UA	PH	SA	UA
ComEd	359	10,285	230,189	34,021	139,831	32,195
Ameren	362	8,088	41,912	17,987	34,882	4,260

**Potential for Energy Savings in Affordable Multifamily Housing*, pub. May, 2015, p. 64, Table C1.

- *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
- e.g., LI Residential Retrofit:
 - ▶ Local vendor partnerships - achieving deep retrofits in low income multi-family and single-family housing through audits, rebates, financing
 - ▶ 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?

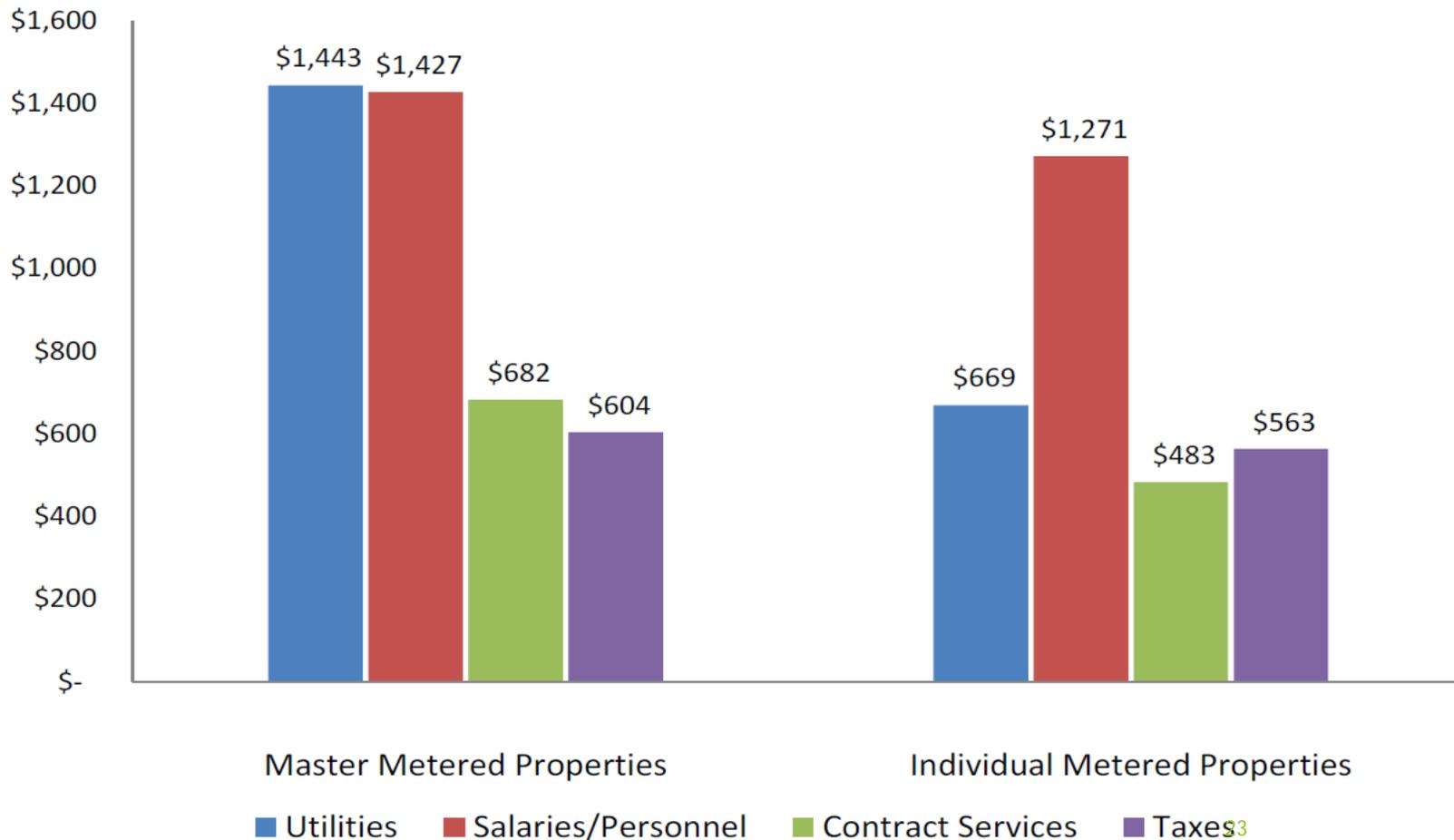
- *What vendor contracting and marketing strategies should be followed to remove barriers and increase LI EE participation?*

- *Don't reinvent the wheel!*
 - ▶ Utilize local, experienced NFPs/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
- ▶ 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 SAG proposal)

ONE MORE THOUGHT: Utility costs present the best opportunity to reduce multifamily 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



* National Housing Trust Nov. 18, 2013 presentation to NASUCA, Todd Nedwick, presenter

Thank you!

