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BILL ANALYSIS



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Senate Bill 864 (Substitute S-2 as reported)
Sponsor: Senator Howard C. Walker
Committee: Energy and Technology

CONTENT

The bill would amend Public Act 3 of 1939, the Public Service Commission (PSC) law, to:

- Create the "Vulnerable Household Warmth Fund" within the State Treasury.
- Require money from the Fund, upon appropriation, to be used to pay bills for electricity, natural gas, propane, heating oil, or any other type of fuel used to heat a vulnerable customer's primary residence during the 2011-2012 heating season.
- Provide that amounts that the PSC had previously authorized to be collected in retail rates from certain electric and natural gas utilities to fund grants, would be authorized from the bill's effective date through September 30, 2012, or until \$58.0 million was accumulated in the Fund from retail rates or appropriated funds, whichever occurred first.
- Require the PSC, by September 30, 2012, to issue orders reducing the retail rates of a utility that collected money under these provisions by the annualized amount included in the utility's retail rates as established by the most recently completed rate case before the bill's effective date.
- Require money in the Fund at the close of the fiscal year to be refunded proportionally to each electric and natural gas utility that collected money for the Fund through retail rates.
- Require a utility payment to be in the form of a voucher or direct payment to the utility, provider, cooperative, or fuel distributor, and require a vulnerable customer to make a contribution toward his or her fuel bill in order to receive a voucher or payment.
- Require the PSC, by February 1, 2012, to commence a proceeding for each affected utility to determine the manner in which all money being held in escrow for the Low-Income and Energy Efficiency Fund would be refunded to customers.

In addition, the bill would require the PSC to post on its internet website, and disseminate by any other means that the Commission determined would properly notify Michigan residents, its annual report on the status of competition for supplying electricity.

MCL 460.6e et al.

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

The bill would have a neutral fiscal impact on the State. In previous home heating seasons, the Low Income Energy Efficiency Fund (LIEEF) was used to assist low-income residents in paying their heating bills and for energy efficiency grants. The Fund received revenue from surcharges added to the bills of utility customers of the three largest electricity and natural gas providers in the State. A July 21, 2011, decision of the Michigan Court of Appeals caused the Public Service Commission to escrow funds coming into LIEEF, as the litigation

called into question the PSC's statutory authority to conduct the program. Under the bill, money held in escrow would be refunded to the utility companies from which it came, which then would be required to refund the money to consumers. An October 28, 2011, PSC report on LIEEF reported revenue of approximately \$88.9 million for FY 2010-11. It is unknown at this time how much of this remains in escrow.

The bill would replace LIEEF with the Vulnerable Household Warmth Fund (VHWF), which would be funded in a manner similar to the way LIEEF was funded. Utility companies with more than 1.0 million customers would continue to charge their customers a surcharge for contribution to the Fund, until it reached a balance of \$58.0 million, or until September 30, 2012, whichever came first. For residential customers, these surcharges, charged on a per-kilowatt/hour basis, amount to approximately \$1 per month. By September 30, 2012, the bill would require the PSC to issue an order reducing the retail rates of the companies that contributed to the Vulnerable Household Warmth Fund by the amount contributed.

Finally, the bill would require money in the Fund, upon appropriation, to be spent on assisting low-income residents with their heating costs, according to criteria set in the bill.

Date Completed: 12-7-11

Fiscal Analyst: Josh Sefton

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.