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Proposal for Revision of Item 1, “Bold American Rescue Plan Act Ideas for the City of Milwaukee” (Preliminary Proposal for ARP Funding, adopted by the Task Force on 4/14/21)

## **REVISED PROPOSAL, Item 1**

### **Financing Residential Energy Efficiency Upgrades for High Energy Burden Households: Using ARP funds to simultaneously address the crises of energy burden, energy debt, racial inequity, and climate change**

**Energy burden** is the percentage of household income that goes toward energy costs. Energy burden is an ongoing issue due to the number of low-income households in Milwaukee, as explained in a recent Sierra Club [report](#) finding that 85,000 Milwaukeeans live in high energy burden census tracts with a high energy burden of 6% or more. It is also a **racial equity issue**: the average energy burden is 2.5% for majority white neighborhoods in Milwaukee, compared to 5% for Majority Black neighborhoods and 5.3 percent for Majority Hispanic/Latinx neighborhoods.

**Energy debt** is an issue that has skyrocketed during COVID-19 pandemic. During the pandemic, the Wisconsin Public Service Commission extended the moratorium against shutting off utilities, which usually only applies during the winter heating months, through the summer of 2020 to April 15<sup>th</sup> 2021. With the end of the moratorium on April 15, households that had difficulty paying their bills during the pandemic and accrued arrearages on their energy bills, now face risk of having their electricity and gas services shut off.

The [City of Milwaukee Greenhouse Gas Forecast & Planning Scenarios](#) indicate that **residential energy efficiency improvements are a key strategy necessary to meet the goal of reducing community-wide GHG emissions by 45% by 2030** relative to 2010 emissions and achieving net zero emissions by 2050 or sooner.

American Rescue Plan (ARPA) funds offer Milwaukee an opportunity to create an innovative program to simultaneously lessen the financial stress of low-income households still struggling to recover economically from the pandemic, reduce high energy burdens and related racial and economic inequities, and reduce residential GHG emissions over the long term.

Options for how the City might proceed are detailed below, including how the City could leverage ARP funds to induce WE Energies to contribute to the proposed solutions.

#### **Option A:**

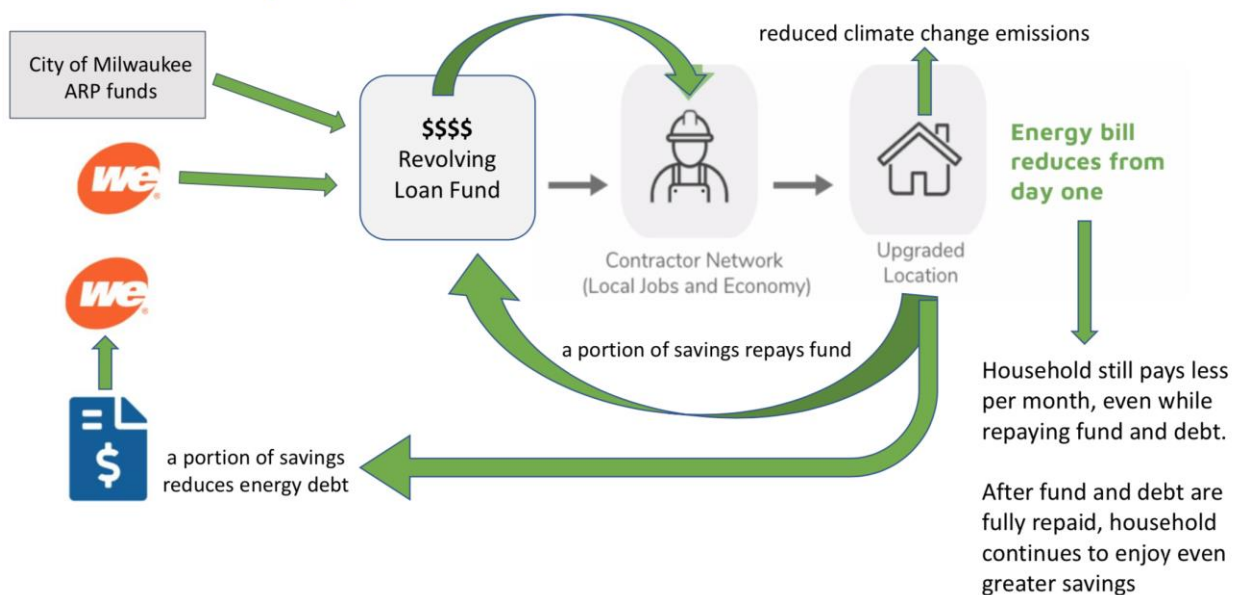
**A Pay-As-You-Save (PAYS) Tariff Program to Finance Energy Efficiency Upgrades for High-Energy Burden Households, implemented through WE Energy Bills in coordination with WE Energies.**

Key components:

- The City would use ARP funds to set up a revolving loan fund (RLF) to finance energy efficiency upgrades for low-income households.

- We Energies would contribute a matching amount into the RLF and agree to administer the tariff through its energy bills.
- Program eligibility would be limited to Milwaukee census tracts with an energy burden of 6% or more. (See Sierra Club [report](#) for an indication of eligible census tracts).
- Energy efficiency upgrades for high energy burden households would be financed by the RLF, after first utilizing Focus on Energy, LIHEAP, and other available subsidies.
- The energy efficiency upgrades would reduce energy costs. A portion of the resulting savings would be used to pay off the household's energy debt, and a portion would be used to repay the RLF, as illustrated below.
- Because the tariff would be linked to the energy meter rather than to the building owner or occupant, it would be available to benefit renters as well as homeowners.

## How the proposed PAYS on-bill tariff would work



Although WE Energies has in the past been reluctant to support on-bill financing for energy efficiency upgrades, the utility may nevertheless be willing to support the proposed program for the following reasons:

- The proposed program would be targeted to the most energy-burdened neighborhoods in Milwaukee, not WE Energies' entire service area.
- The alternative for WE Energies is either writing off pandemic-era energy debt or paying the administrative and public relations costs of cutting off thousands of indebted households still struggling to recover financially from the pandemic.
- Energy efficiency upgrades for severely energy-burdened households will make these households more reliable customers over the long term.
- The City could negotiate terms with WE Energies to favor repaying energy debt prior to repaying the RLF.
- WE Energies investment in the proposed program could be designed to benefit WE Energies including, potentially, through a PSC-approved rate case that would reward WE Energies for investing in residential energy efficiency.

See [powerpoint slides](#) for further details relating to Option A.

### **Option B, part 1:**

#### **A Pay-As-You-Save (PAYS) Tariff Program to Finance Energy Efficiency Upgrades for all Milwaukee Households, implemented through Milwaukee Water Works billing system.**

If WE Energies refuses to implement the proposed on-bill tariff, the City could design and implement its own on-bill tariff program through MWW water bills. Although outreach would be directed primarily to high-energy burdened households, the program would be available to all Milwaukee households.

The tariff would operate in a similar fashion to that proposed as Option A. If the City is prepared to finance and operate a massive energy efficiency program even without WE Energies, the company may be more likely to take up Option A so that it can yield public relations and financial benefits (if implemented through a rate case that would reward WE Energies for investing in energy efficiency) from the program.

Part 1 would provide a long-term solution to high energy burdens and related racial and economic inequities and also substantially reduce GHG emissions over the long term, but it would not directly address energy debt.

### **Option B, part 2:**

#### **Using ARP funds to induce WE Energies to forgive a portion of energy debt accumulated by high energy burden households during the pandemic.**

The City could offer to use ARP funds to help households that have accumulated energy debt due to the pandemic if WE Energies also agreed to forgive a portion of the energy debt. For example, the City could agree to pay off 50% of the energy debt for eligible households if WE Energies forgave the remainder of the energy debt.

Like pandemic-relief stimulus payments from the federal government, using ARP funds in this way would provide an additional direct subsidy to households that will find it hard to recover from the pandemic financially without assistance to pay off their energy debt. Using such payments to induce WE Energies to forgive the remaining debt on customer bills would further leverage this expenditure for the benefit of low-income Milwaukee households. WE Energies is very likely to write off a significant portion pandemic-era energy debt from its own accounts. *This proposal would induce WE Energies to also write off this debt from customer bills, and not just its own books.*