



**EQUITY IN A
CLEAN ENERGY
ECONOMY**

National Workshop Equity in a Clean Energy Economy

August 25th – 26th, 2023





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Regulator Panel Equity and Rate Design Initiatives



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Agenda

- **Panelist introductions**
- **Context & overview**
- **Panel discussion on equity and rate design initiatives**



Equity & Rate Design Initiatives Regulator Panel



**Commissioner
Ann McCabe**
Illinois



**Commissioner
Odogwu Obi Linton**
Maryland



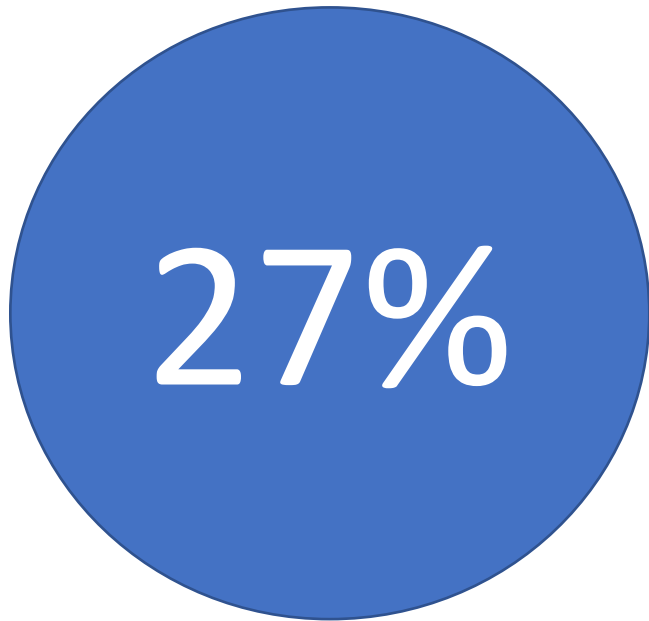
**Commissioner
Sarah Freeman**
Indiana



Irene Dimitry
Retired VP
DTE Energy

Moderator

Households reported experiencing energy insecurity in 2020

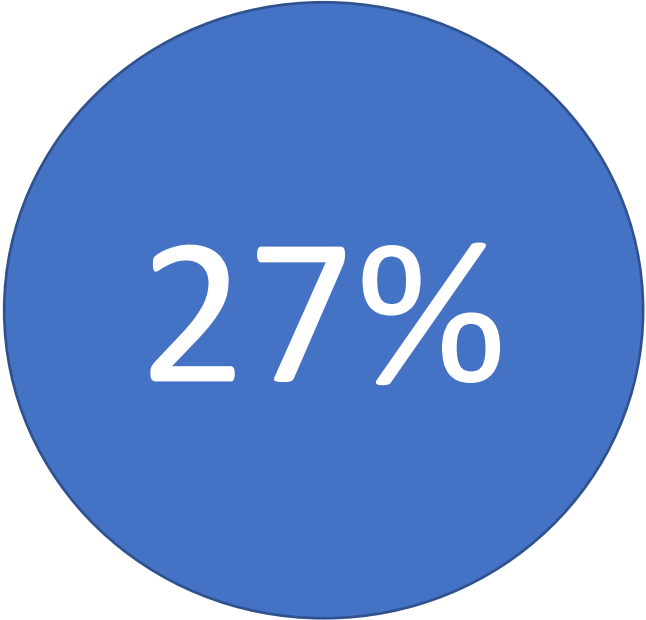


% of total households

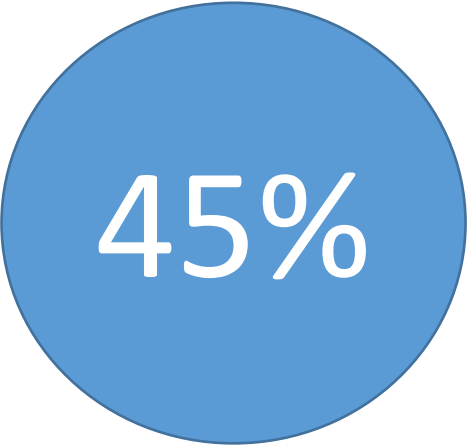
Source: [EIA's 2020 Residential Energy Consumption Survey \(RECS\)](#)



Households reported experiencing energy insecurity in 2020



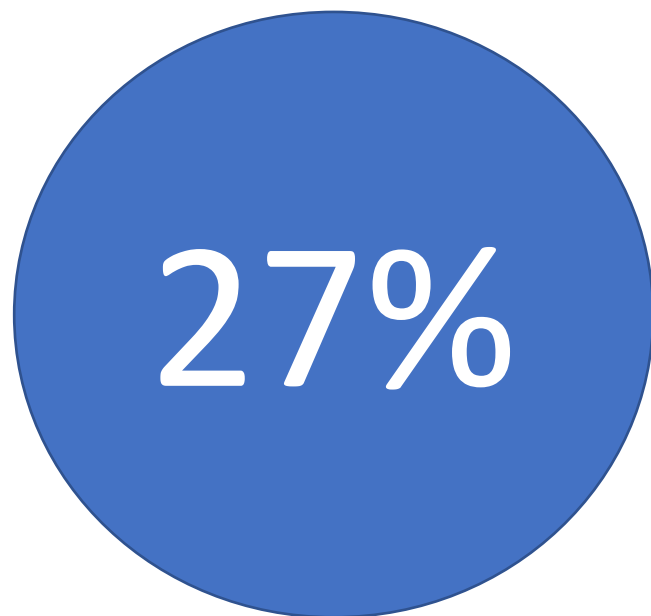
% of total households



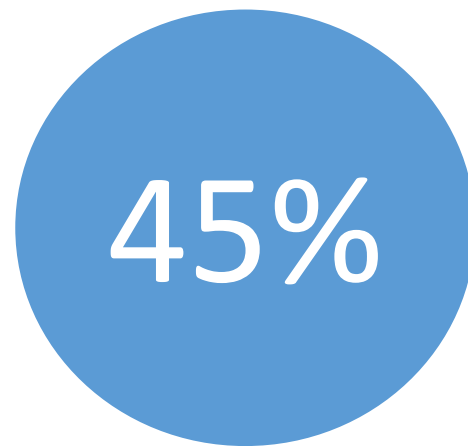
Households earning <\$60K annually

Source: [EIA's 2020 Residential Energy Consumption Survey \(RECS\)](#)

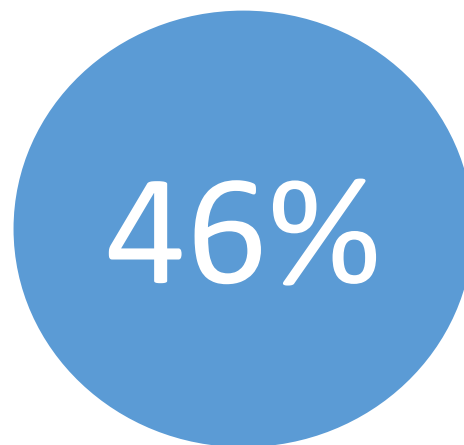
Households reported experiencing energy insecurity in 2020



% of total households



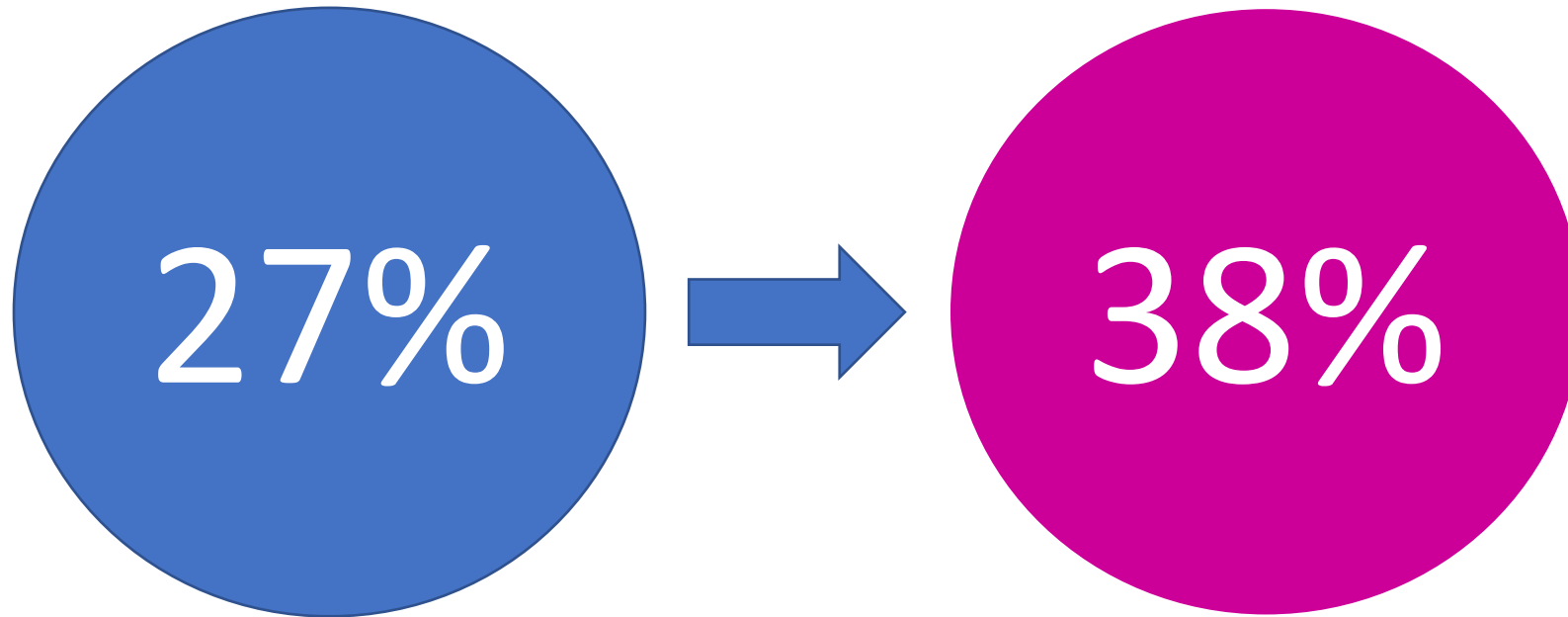
Households earning <\$60K annually



Black or Latino households

Source: [EIA's 2020 Residential Energy Consumption Survey \(RECS\)](#)

Concerns about ability to stay current on utility bill payments increased by the end of 2021 for households earning <\$50K



Source: Various DEFG Low Income and Prepay Consumer Survey Reports conducted by Russell Research in 2020 and 2021. Available on request.
Question: “How concerned are you about your household’s ability to stay current on utility bill payments over the next six months?”

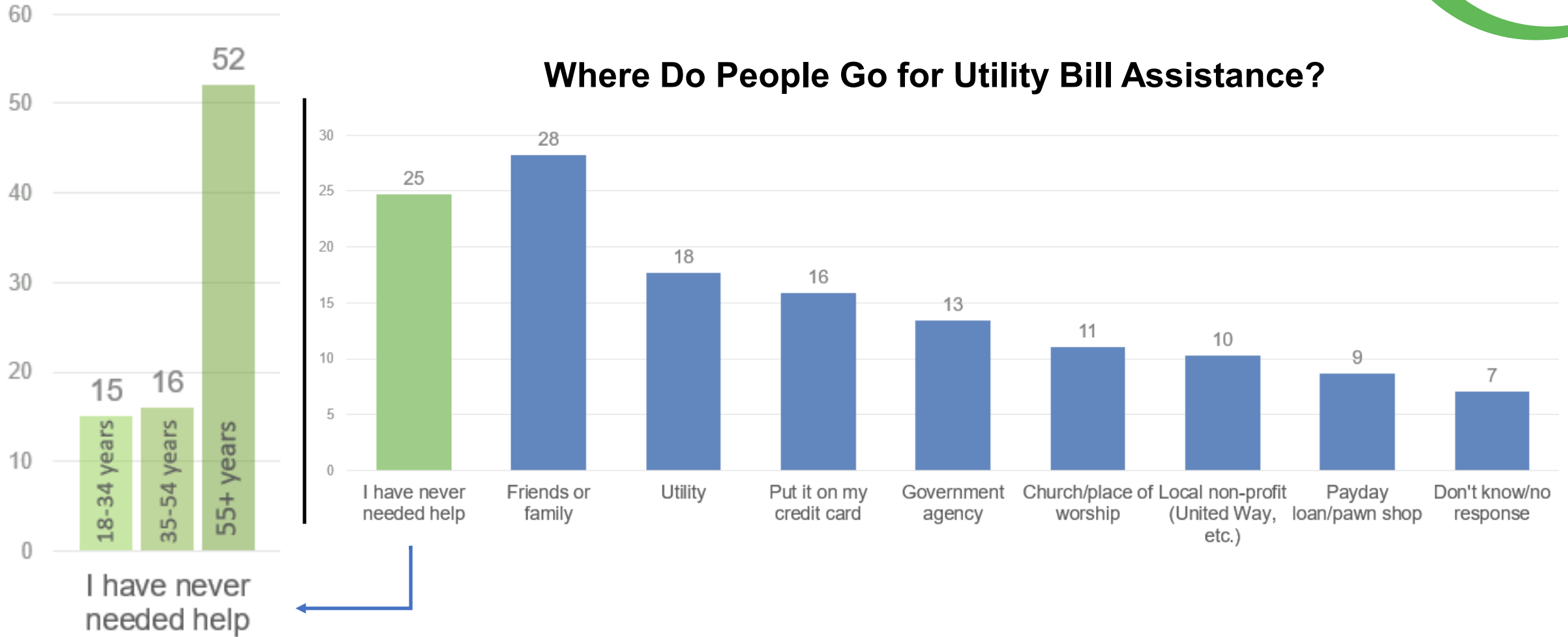
Energy costs are going up while funding for low-income bill assistance remains limited

- Overall energy inflation rate was 32.9% for the 12 months ending July 2022
- Electricity rates are up 15.2%, year over year
- LIHEAP funding – historically insufficient to address all needs – increased less than 4% in 2022, well below the rate of inflation

Total 2022 LIHEAP funding / number of energy insecure households = \$113 per HH

- Ongoing debates about inflationary impacts of climate change policies

Those struggling with utility bills seek help from many sources, patching together partial and temporary solutions



Base: Total Respondents (n=605). Q.E8. Where do you go when you need help in paying your utility bill?



Could innovative rate designs deliver more permanent and comprehensive solutions to address low-income energy assistance needs?

Alternative A: Design affordable low-income rates and spread cost across remaining residential customers

- When designing residential rates, first create a low-income tariff at an affordable rate and/or acceptable average energy burden
- Then spread remaining cost allocation for the residential rate class among non-low-income residential rates
- Rate design would reflect a cost shift among residential customers and within the residential rate class
- **POTENTIAL CHALLENGES:** Viewed as inconsistent with the concept of “cost-based” rates. Must be found to be reasonable, prudent, in the public interest, and not unduly discriminatory

Alternative B: Create a range of rate options including ones with lower costs at reduced service levels

- Traditional residential tariffs are predicated on delivering the same level of service to all customers
- It may be more equitable to offer a range of service levels and pricing, including ones with lower costs at reduced service levels
- Differentiated levels of service are common in other industries
- Rate would be voluntary, providing choice and control to the customer
- **POTENTIAL CHALLENGES:** Inappropriate tradeoff between service levels and affordability. Since electricity is so fundamental to quality of life, would it be inherently inequitable and unjust to allow rates that deliver reduced service levels to low-income customers?



Panel Discussion

A:

Design affordable rates and spread remaining costs to remaining residential customers

B:

Offer a range of rate options, including those with lower costs and lower service levels

C:

Other innovative rate options?

DEFG

Customer Insights & Advisory Firm

An **E Source** Company

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DEFG, An E Source Company, is a customer insights and advisory firm in the utility space. Through collaborative research, data analysis and peer-to-peer networking, we help our clients achieve ways to better serve their customers.



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