

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

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| North Shore Gas Company |) | |
| |) | Docket No. 23-0068 |
| |) | |
| Proposed General Increase in Rates and |) | |
| Revisions to Other Terms and Conditions of |) | |
| Service |) | |
| |) | |
| |) | |
| The Peoples Gas Light and Coke Company |) | Docket No. 23-0069 |
| |) | (cons.) |
| |) | |
| Proposed General Increase in Rates and |) | |
| Revisions to Other Terms and Conditions of |) | |
| Service |) | |

DIRECT TESTIMONY OF
JUSTIN SCHOTT

ON BEHALF OF

ENVIRONMENTAL LAW & POLICY CENTER
ENVIRONMENTAL DEFENSE FUND
NATURAL RESOURCES DEFENSE COUNCIL
ILLINOIS STATE PUBLIC INTEREST RESEARCH GROUP,
INC.
(PUBLIC INTEREST ORGANIZATIONS)

MAY 9, 2023

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1 **I. WITNESS IDENTIFICATION AND QUALIFICATIONS**

2 **Q: Please state your name, business name and address.**

3 A: My name is Justin Schott. My business address is 440 Church St., Ann Arbor, MI 48109.

4 **Q: By whom are you employed and in what capacity?**

5 A: I serve as Director of the Energy Equity Project (EEP) and Lecturer of Energy Justice, both
6 through University of Michigan's School for Environment and Sustainability. As a lecturer,
7 I teach a graduate-level class to 40 students each fall semester.

8 **Q: On whose behalf are you submitting testimony?**

9 A: I am submitting testimony on behalf of the Environmental Law and Policy Center (ELPC),
10 Environmental Defense Fund (EDF), The Natural Resources Defense Council (NRDC),
11 and Illinois State Public Interest Research Group, Inc. (ILPIRG), collectively the Public
12 Interest Organizations (PIO).

13 **Q: Please summarize your educational background.**

14 A: I have an M.S. in Resource Policy and Behavior for University of Michigan (2006) and a
15 B.S. in Natural Resources from Cornell University (2002).

16 **Q: Please summarize your professional experience.**

17 A: I have served in my current role as Director of the Energy Equity Project since February
18 2021, where I worked with researchers, community advocates, regulators and utilities to
19 develop and implement a standardized framework for measuring and advancing equity.
20 The framework evaluated 148 potential metrics and considers demographic, historical,
21 procedural and distributional aspects of equity and blends quantitative metrics with
22 qualitative approaches. In leading the development of the framework, I organized 10
23 stakeholder-specific listening sessions from May 2021 – February 2022 that engaged

1 more than 400 energy equity leaders across the country. I recruited 45 co-authors and
2 advisors to serve on four workgroups and support each of the four workgroups for fifteen
3 months of intensive work to review listening session input and 148 proposed metrics and
4 best practices, develop guiding principles, and write chapters representing each of the
5 four pillars of energy justice. In all, I coordinated highly collaborative and participatory
6 effort was the result of more than 3,000 hours of commitment from participants and
7 workgroup members.

8 I have presented this work in over 40 settings, including roundtables, panels,
9 advisory boards, PUC proceedings, university classes, and energy and climate
10 conferences since May 2021. I have also been quoted by more than a dozen public media
11 sources, published opinion pieces, and submitted work to multiple academic journals
12 (these are detailed in my CV). Over the course of this work, I have become intimately
13 familiar with the scope of equity measurement and best practices to advance equity in
14 both regulatory and utility spaces.

15 In recognition of the success of the Energy Equity Project and my professional
16 expertise, I received an appointment as a lecturer in the School for Environment and
17 Sustainability in 2022. I teach an interdisciplinary graduate level course on energy justice
18 to 40-45 students each fall semester.

19 Previously I served as Executive Director of EcoWorks, a Detroit non-profit, a
20 position I held from June 2015 to November 2020. I was responsible for overseeing all
21 aspects of financial management, development, communications and public relations,
22 staff recruitment, administrative operations, and risk management. I managed a team of
23 30 staff members with an annual budget of \$2.8 Million. I also led research efforts to

1 explore connections between weatherization, health, and affordability, in partnership with
2 Dr. Tony Reames, U of M's Urban Energy Justice Lab, and other U of M faculty and
3 institutes. From 2019-2020, I was an intervenor in DTE Energy's Energy Waste
4 Reduction bi-annual plans and successfully made the case to increase the budget for
5 single family and multi-family low-income programs, by \$10 million. My testimony
6 drew on the research conducted in partnership with Dr. Reames.

7 **Q: Have you testified before the Illinois Commerce Commission previously?**

8 A: No.

9 **Q: Have you testified or provided comments in regulatory proceedings in other states?**

10 A: Yes, I provided testimony to the Michigan Public Service Commission regarding DTE
11 Energy's filing in an Energy Waste Reduction docket (2019) and testimony to the Kansas
12 Corporation Commission regarding Evergy's filing in the Kansas Energy Efficiency
13 Investment Act docket (2022).

14 **Q: Are you sponsoring any exhibits?**

15 A: Yes, I am sponsoring the following exhibits:

- 16 • PIO Exhibit 3.1: Schott CV/Summary of Qualifications
- 17 • PIO Exhibit 3.2: Framework for Measuring and Advancing Energy Equity
- 18 • PIO Exhibit 3.3 March 2023 PIPP PAC Meeting
- 19 • PIO Exhibit 3.4 Excerpt -- Roger Colton LIDC design testimony
- 20 • PIO Exhibit 3.5 PGL 2022-2025 EE Plan

1 **II. PURPOSE OF TESTIMONY**

2 **Q: What is the purpose of your testimony?**

3 A: The purposes of my testimony are:

- 4 1. To provide the Energy Equity Framework (“framework”) for assessing the equity
5 impacts of The Peoples Gas, Light & Coke Company’s (PGL) proposed rate
6 increases;
- 7 2. To assess the impacts of PGL’s proposed rate increases using the framework and
8 identify disparate impacts that would harm low-income customers;
- 9 3. To recommend more equitable alternatives to PGL’s proposed rate increases.

10 **Q: How is your testimony organized?**

11 A: I introduce an Energy Equity Framework for assessing the impacts of PGL’s proposed rate
12 increase (Section III), present the human costs of energy insecurity and disconnections
13 experienced by PGL customers (Section IV), analyze the impacts of PGL’s proposed rate
14 increase and Low-Income Discount Credit (LIDC) on low-income customers (Section V)
15 and recommend strategies for improving the design and deployment of the LIDC (Section
16 VI).

17 **Q: Please summarize your testimony and recommendations.**

18 A: My testimony compiles data from the U.S. Census, Department of Energy’s Low-Income
19 Energy Affordability Database (LEAD) Tool, and PGL’s Credit, Collections and
20 Arrearages reports to ICC. I use these data to document severe hardship, widespread
21 unaffordable natural gas bills, disparities in disconnection and collection practices on the
22 basis of race, and enrollment in existing bill assistance programs. I document that more
23 than 80% of PGL customers have incomes below 60% of State Median Income (SMI), the

1 threshold for low-income benefits from PGL, but are unable to obtain these benefits. I
2 assess the impacts of PGL's proposed LIDC on household energy burden and provide an
3 alternative two-tiered structure that benefits more households.

4 My recommendations to ICC are:

- 5 1. Ensure all customer protections as afforded by Illinois Administrative Code
6 Section 280 are consistently provided to all customers, particularly relief from late
7 fees.
- 8 2. Further investigate racial disparities in disconnection and collection practices by
9 PGL and require the Company to rectify these problems.
- 10 3. Require PGL to institute a more inclusive low-income qualification process,
11 including the allowance for customer self-certification.
- 12 4. In an effort to achieve universal energy affordability and minimize gas burdens
13 above 3% of household income, establish a robust two-tiered LIDC that provides
14 a 75% credit to the lowest income households (0-30% of State Median Income
15 (SMI)) and a 25% credit to households at 30-60% of AMI.
- 16 5. In recognition of the ongoing crises of energy insecurity and unaffordability, open
17 a rulemaking to revisit and amend current disconnection protection policies. The
18 ICC should require PGL to holistically and proactively ensure that all available
19 programs and resources have been offered to customers before a disconnection—a
20 very last resort--can be executed.

1 **III. ENERGY EQUITY FRAMEWORK FOR ASSESSING PGL'S PROPOSED RATE**
2 **INCREASE**

3 **1. Overview of the Energy Equity Framework**

4 **Q: What is the Energy Equity Framework and how does it apply to this docket and the**
5 **work of ICC?**

6 A: The Framework to Measure and Advance Energy Equity (PIO Exhibit 2.2) is a
7 compendium of research, assessment of 148 potential energy equity and best practices.
8 The Framework was equitably developed by 45 co-authors and advisors and the input of
9 more than 400 stakeholders. The study was released in September 2022 and has been
10 used by public utility commissions in CO, MI, and OR. It is designed to be applied by
11 utilities, regulators, practitioners, and community organizations and has sector-specific
12 guidance for each type of stakeholder. The Framework identifies concrete action steps—
13 both quantitative and qualitative—to advance each of the four dimensions of energy
14 equity. The Framework adopts the Four Pillars of Energy Justice: Recognition,
15 Procedural, Distributive and Restorative.

16 **2. Recognition justice concerns**

17 **Q: Please define recognition justice.**

18 A: EEP adopted the definition of Lee and Byrne (2019): “Recognition justice emphasizes the
19 need to understand different types of vulnerability and specific needs associated with
20 energy services among social groups (especially marginalized communities).”¹

¹ This is cited on p.32 in the EEP Framework (Exhibit X).

1 Recognition justice requires identifying populations that have gone unnoticed and may face
2 cumulative impacts from multiple burdens and historically compounding impacts over
3 time.

4 **Q: What concerns do you have in the proposed case from a recognition perspective?**

5 A: About 242,000 of PGL customers with incomes below 60% of SMI (the threshold for Low-
6 Income Home Energy Assistance Program (LIHEAP) eligibility) are *unrecognized* by PGL
7 as low-income and thus do not receive protections or benefits aimed at benefiting low-
8 income customers. I discuss the root causes and impacts of this issue at length in Section
9 V.

10 **3. Procedural equity concerns**

11 **Q: Please define procedural equity.**

12 A: According to the EEP framework, “Procedural measures focus on pathways to implement
13 equitable processes, and program access focuses on expanding accessibility for
14 communities to engage meaningfully.” (p.66) Procedural justice is about the ability of
15 impacted communities to access and influence decision-makers to secure positive
16 outcomes for themselves.

17 **Q: What concerns do you have in this case from a procedural perspective?**

18 A: Most regulatory commissions, including ICC, are not set up in ways that encourage
19 effective and meaningful public participation in formal proceedings. Public comments are
20 not formally considered by the Commission in issuing a final order. Financial, legal, and
21 technical barriers limit public engagement in evidentiary processes, particularly when
22 multiple concurrent cases before the Commission demand significant stakeholder

1 resources. Because the public, and particularly low-income, Black, Indigenous and other
2 people of color (BIPOC), and historically marginalized customers lack a direct path to
3 engage in this particular case, they are reliant on other intervenors to adequately represent
4 their concerns. There are options for the Commission to embrace procedural justice in its
5 findings, however, and to require procedural justice in its final order. For instance, the
6 Commission could hold a public hearing on PGL's rate case, or open a rulemaking and
7 invite members of the public to weigh in on outreach strategies and the design of the LIDC.

8 **4. Distributive equity concerns**

9 **Q: Please define distributive equity.**

10 A: The EEP Framework Distributive Equity chapter begins: "Broadly speaking, distributional
11 equity refers to how the benefits and harms of the energy system are distributed, and is
12 closely aligned with the notion of "justice as fairness" (Pello 2000; Rawls 1971)...Low-
13 income communities and Black, Indigenous, and People of Color (BIPOC) communities
14 are much more likely to face exposure to environmental harms (e.g. toxic pollution,
15 presence of polluting facilities, etc.) and less likely to have access to environmental
16 "goods" like green space and parks." (PIO Exhibit 2.2, p. 102)

17 **Q: What concerns do you have in the proposed case from a distributive perspective?**

18 A: The distribution of energy burdens among PGL customers is vastly unequal; these
19 disparities stem primarily from race and income. I detail these in Section IV. I have also
20 observed disparate treatment as a result of race and geography, *even among customers with*
21 *comparable incomes*, and improper assessment of late fees from low-income customers.
22 Third, I am concerned about the disproportionately low rates that commercial and industrial

1 customers enjoy, and reduced contributions they make on volumetric basis through capped
2 surcharges to energy assistance funds. Finally, I am concerned about the insufficient
3 availability of energy affordability programs to meet the growing customer demand,
4 particularly as more and more customers with means exit the system as they electrify their
5 homes.

6 **5. Restorative justice concerns**

7 **Q: Please define restorative justice.**

8 A: Restorative justice emphasizes concern for future generations and ensuring that the
9 structures and conditions that enabled harm or disparate impacts to occur initially are
10 mitigated so that further harm is prevented.

11 **Q: What concerns do you have in the proposed case from a restorative perspective?**

12 A: Governor Pritzker expressed relief for the “light at the end of the tunnel” as ICC’s
13 disconnection moratorium expired in March 2023². The return to “business as usual”
14 disconnections restores a pattern of severe harm, particularly among Black, Latinx and
15 low-income communities, even when an array of less harmful alternatives are possible.
16 There are also historic harms, such as the unauthorized collection of late fees from low-
17 income customers in violation of the customer protections established in Section 280³, that
18 should require sufficient compensation. A restorative justice lens has a valuable role to

² ICC, March 19, 2021. “ICC Strikes New Consumer Protection Agreement with Large Regulated Utilities & Advocates to Help Prevent Disconnections.” Retrieved April 25, 2023 from:

<https://www.icc.illinois.gov/downloads/public/news/031921-ICC-Large-Utility-Relief-Agreement.pdf>

³ 83 Illinois Administrative Code Section 280 (Part 280), retrieved April 11, 2023 from:

<https://www.peoplesgasdelivery.com/company/part280>

1 play in establishing continuous and affordable access to energy as an essential human need
2 and creating protections so that no one loses access to energy for being too poor to pay.

3 **6. Summary of highest equity priorities identified by EEP**

4 **Q: From an energy equity perspective, what should be the primary considerations**
5 **when assessing requests for rate increases?**

6 A: There is broad consensus that energy should be affordable to all residents regardless of
7 income, occupancy status, housing stock, heating fuel, or other demographics (e.g.
8 household size, race, age, disabilities or medical conditions.) Over the course of 10 EEP
9 listening sessions in 2021, reducing or eliminating disconnections was the overwhelming
10 priority raised by more than 400 people representing an array of sectors, including
11 utilities, regulators, grassroots organizations, and non-profit practitioners (see PIO
12 Exhibit 2.2, Appendix 3.1 and pp. 185-186). Other distributive equity priorities include
13 reducing the maximum energy burden faced by any customer, reducing disparities in
14 energy burdens and high energy burdens among BIPOC households (see pp. 171 and
15 185-186).

16 Disconnections should be reserved for exceptionally rare circumstances and
17 should not be a response to the structural conditions that result in a large share of
18 households simply being too poor to afford the costs of reasonable energy usage.
19 Creating robust affordability programs and ensuring these programs reach all eligible
20 households mitigates the underlying roots of unaffordable energy costs and a cycle of
21 collection activities and disconnections.

1 **IV. THE HUMAN COSTS OF DISCONNECTIONS AND ENERGY INSECURITY**

2 **Q: Please describe this section of your testimony.**

3 A: I summarize extensive research on the topics of disconnections and energy insecurity and
4 how these impact low-income households and racial minorities. I provide a national
5 overview and detail of energy insecurity among PGL's residential customers.

6 **1. Scope of Impacts**

7 **Q: What is the definition of energy insecurity?**

8 A: Energy insecurity refers to a customer's inability to meet household energy needs.⁴ The
9 federal government's Energy Information Administration (EIA) surveys multiple
10 indicators of energy insecurity. Those include: the inability to make monthly bill payments,
11 foregoing other basic needs, receipt of disconnection notices, experiencing a
12 disconnection, keeping the home at an uncomfortable or unsafe temperature, and going
13 without heat⁵.

14 **Q: What is the scope of the impacts from energy insecurity, nationally and in Illinois?**

15 A: 27.2% of U.S. households experience some form of energy insecurity.⁶ The Pulse Survey,
16 conducted bi-weekly by the U.S. Census since the start of Covid-19, includes three
17 questions about energy insecurity. In IL, 26.6% percent of households reported some

⁴ Hernández, Diana. "Understanding 'energy insecurity' and why it matters to health." *Social science & medicine* 167 (2016): 1-10. Available at: https://www.sciencedirect.com/science/article/pii/S0277953616304658?casa_token=vK7WLHfcsvUAAAAA:62WMun9ceL4T5qoCOIRxoBXvPj3HXaD6i50G8YzR4ruDQt5DSd4akquZJqX8fWO3qJFk-q3W

⁵ See PIO Workpaper 3. Energy insecurity data - Residential Energy Consumption Survey (EIA, 2020). Source: Energy Information Administration, 2020. Residential Energy Consumption Survey. Retrieved April 18, 2023 from: <https://www.eia.gov/consumption/residential/data/2020/#household>.

⁶ Ibid.

1 frequency of foregoing other basic needs (including 33.4% of Hispanic and 34.4% of Black
2 households), 18.2% reported keeping the home at an unsafe or uncomfortable temperature,
3 and 19.6% reported being unable to pay the energy bill in full.⁷

4 Multiple studies have confirmed that energy insecurity disproportionately impacts
5 low-income, Black and Hispanic households, and households with children, especially
6 children under 6 years old (e.g. Drehobl and Ross, 2016⁸; Brown et al, (Oak Ridge National
7 Lab), 2020⁹; Indiana University Energy Justice Lab, 2022¹⁰.)

8 The implications of energy insecurity are stark. Disconnections, which stem from
9 the combination of unaffordable gas and electric bills, can result in an array of health
10 problems,¹¹ such as the inability to refrigerate medicine or use medical equipment that
11 requires electricity, heat illness, cognitive and psychological impacts, and respiratory
12 impacts resulting from the loss of proper ventilation and from fumes that may be caused

⁷ See PIO Workpaper 4. Pulse Survey - IL Energy Insecurity (U.S. Census, Feb 2023)

Source: U.S. Census, March 2023. Pulse Survey, Week 54, Table 4. Available at:

<https://www.census.gov/data/tables/2023/demo/hhp/hhp54.html>

⁸ Drehobl, Ariel, and Lauren Ross. "Lifting the high energy burden in America's largest cities: How energy efficiency can improve low income and underserved communities." (2016). Available at:

<https://trid.trb.org/view/1417907>

⁹ Brown, Marilyn Ann, Anmol Soni, Melissa Voss Lapsa, and Katie Southworth. "Low-income energy affordability: Conclusions from a literature review." (2020). Available at: <https://www.osti.gov/biblio/1607178>

¹⁰ Sanya Carley, David Konisky, and Trevor Memmott, "Household Energy Insecurity Survey, Winter 2021-2022, Indiana University, Bloomington." Available at: <https://energyjustice.indiana.edu/doc/ejl-energy-insecurity-report-winter-2022.pdf>

Also see: Memmott, Trevor, Sanya Carley, Michelle Graff, and David M. Konisky. "Sociodemographic disparities in energy insecurity among low-income households before and during the COVID-19 pandemic." *Nature Energy* 6, no. 2 (2021): 186-193. Available at: <https://www.nature.com/articles/s41560-020-00763-9>

¹¹ Researchers at Duke performed a retrospective comparison of Covid death rates in places both with and without bans on utility disconnections. They found that had a national moratorium on utility disconnections been in place from March through November 2021, overall Covid death rates would have been 14.8% lower. Jowers, Kay, Christopher Timmins, Nrupen Bhavsar, Qihui Hu, and Julia Marshall. *Housing precarity & the covid-19 pandemic: Impacts of utility disconnection and eviction moratoria on infections and deaths across us counties*. No. w28394. National Bureau of Economic Research, 2021. Available at: <https://www.nber.org/papers/w28394>

1 by heating with an oven or an improperly ventilated generator. Indirect health issues arise
2 from lack of access to hot water for proper hygiene, which can result in Legionnaires
3 disease outbreaks and from higher incidents of house fires.¹² Researchers at Duke
4 performed a retrospective comparison of Covid death rates in places both with and without
5 bans on utility disconnections. They found that had a national moratorium on utility
6 disconnections been in place from March through November 2021, overall Covid death
7 rates would have been 14.8% lower¹³.

8 **Q: How do you determine if a household cannot reasonably afford to pay its energy bill?**

9 A: An array of energy affordability advocates, such as ACEEE and Roger Colton¹⁴, have
10 established that spending 6% of household income on energy (a 6% "energy burden")
11 constitutes a threshold for affordability of energy costs. The 6% energy burden was
12 established by considering that households should spend no more than 30% of their
13 incomes on all costs of housing, and energy should comprise no more than 1/5 of total
14 housing costs. For natural gas, a 3% burden is considered affordable.

¹² Hernández, Diana, and Jennifer Laird. "Surviving a shut-off: US households at greatest risk of utility disconnections and how they cope." *American Behavioral Scientist* 66, no. 7 (2022): 856-880. Available at: https://journals.sagepub.com/doi/pdf/10.1177/00027642211013401?casa_token=QE4kc69TSOYAAAAA:wdYQrETVedF17-xesmjUemF0aHS5YuZ4-JzCDYpzUJXcjfBQnlkjixyHSaPYPt91mNMQR6ZhPPGi.

¹³ Jowers, Kay, Christopher Timmins, Nrupen Bhavsar, Qihui Hu, and Julia Marshall. *Housing precarity & the covid-19 pandemic: Impacts of utility disconnection and eviction moratoria on infections and deaths across us counties*. No. w28394. National Bureau of Economic Research, 2021. Available at: <https://www.nber.org/papers/w28394>

¹⁴ See Oak Ridge National Laboratory's literature review: Brown, Marilyn Ann, Anmol Soni, Melissa Voss Lapsa, and Katie Southworth. "Low-income energy affordability: Conclusions from a literature review." (2020). Available at: <https://www.osti.gov/biblio/1607178>

1 **2. Energy insecurity among PGL customers**

2 **Q: What can you tell us about the scope of energy insecurity among PGL customers?**

3 A: From the period of April – November 2022, the last period of reports when disconnections
4 were allowable, PGL issued 263,821 disconnection notices and executed 15,410
5 disconnections¹⁵. These included 4,642 disconnection notices and 64 disconnections
6 among low-income customers. Among all residential customers, PGL only performed 6226
7 reconnections, meaning 60% of disconnections were not accompanied by a reconnection.

8 Monthly data during this period shows that most customers “fail” to meet the
9 terms of their Deferred Payment Arrangements (DPAs). PGL reported issuing 99,613
10 new DPAs. Of those, 70,620 failed compared to just 7,955 completed. This represents a
11 success rate of just 8%, a failure rate of 71%, with the remainder of DPAs being
12 renegotiated or undetermined.¹⁶

13 **Q: What is the extent of late fees collected by PGL?**

14 A: PGL assessed late fees 1,814,882 times from April through November 2022, including
15 10,961 late fee assessments of low-income customers, in violation of the consumer
16 protections established in Section 280¹⁷. An average of 211,052 customers, or 26.3% of
17 non-low-income customers paid late fees each month. A 1.5% monthly late fee, if
18 compounded each month, amounts to a 19.6% annual fee. PGL reported collecting \$32

¹⁵ See PIO Workpaper 5. PGL Credit, Collections, Arrearages April - Nov 2022

¹⁶ Ibid.

¹⁷ Procedures for Gas, Electric, Water, and Sanitary Sewer Utilities Governing Eligibility for Service, Deposits, Billing, Payments, Refunds and Disconnection of Service. Retrieved April 17, 2023 from: <https://www.ilga.gov/commission/jcar/admincode/083/08300280sections.html>

1 million in late fees in 2022. PGL disclosed imposing \$66 million in late fees on its
 2 customers in just two years, 2021-2022¹⁸.

3 **Q: What are implications of these fees?**

4 A: Late fees are responsible for increasing overall energy costs by up to 19.6% per year
 5 (1.5% per month compounded) and increasing customer energy burdens substantially. In
 6 the table below , I analyze the implications of three levels of annual late fees rates on
 7 customer costs and energy burdens. For instance, for a household below 30% of SMI
 8 with an existing 13.9% gas burden, PGL late fees would raise their gas burden to a
 9 maximum of 16.6% In this scenario, **late fees would drain low-income households of**
 10 **up to 2.7% of their total household income.**

PIO Workpaper 6. Impacts of late fees on customer energy burdens

| Customer income | # customers | Median income | Baseline gas (after proposed rate increase) | Annual gas cost (after proposed rate increase) | 19. 6% late fee - \$ cost | 19. 6% late fee gas burden |
|-----------------|-------------|---------------|---|--|---------------------------|----------------------------|
| 0-30% SMI | 152,227 | \$10,884 | 13.9% | \$1,514 | \$296.74 | 16.6% |
| 30-60% SMI | 158,821 | \$32,653 | 4.6% | \$1,514 | \$296.74 | 5.5% |
| 60-80% SMI | 79,283 | \$50,794 | 3.0% | \$1,514 | \$296.74 | 3.6% |

11

¹⁸ Discovery response AG 1.09 Attach01 PGL.

1 **Q: What is your assessment of the existing resources to mitigate energy insecurity and**
2 **disconnections?**

3 A: The two primary energy assistance programs available to PGL customers – LIHEAP and
4 the Percentage of Income Payment Plan (PIPP)—are severely limited because those
5 programs do not have sufficient funding to serve all households meeting the programs’
6 eligibility criteria. In 2020, only 18.9% of eligible households in Illinois actually received
7 LIHEAP assistance¹⁹ and in 2023, LIHEAP funds will be exhausted in May, leaving a gap
8 until the heating season in fall. (see PIO Exhibit 2.3 March 2023 PIPP PAC Meeting.)

9 Regarding PIPP, Statute 305 ILCS 20/18, Section 18. (4)(c)(2) sets credits to
10 achieve a 6% energy burden for participants, which aligns with the PIPP’s broad goal to
11 “bring participants’ gas and electric bills into the range of affordability.”²⁰ PIPP is a
12 valuable program, but in FY23 PIPP was only available to 37,000 clients statewide.²¹
13 Without openings in PIPP or LIHEAP until fall, customers below the low-income threshold
14 would have no means of mitigating energy insecurity and the risk of being disconnected.
15 As I discuss below, they would not be able to enroll in PGL’s proposed Low-Income
16 Discount Credit, because that proposed program structure relies solely on LIHEAP or PIPP
17 enrollment to establish eligibility.

¹⁹ 268,765 households in Illinois received assistance, out of an eligible 1,420,838 households. Source: National Energy and Utility Affordability Coalition (NEUAC), 2022. “Illinois State Sheet, 2022.”

Available at: <https://neuac.org/wp-content/uploads/2021/02/Illinois-State-Sheet-2022.pdf>

²⁰ See Energy Assistance Act of 1989, as amended by Section 13 of the Act (b)(6). Retrieved April 16th from: <https://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=1416&ChapterID=28>

²¹ See PIO Exhibit 2.3.

Source: Low-Income Energy Assistance Policy Advisory Council (PAC), IL Department of Commerce and Economic Opportunity. PAC documents and meeting minutes can be accessed here:

<https://dceo.illinois.gov/communityservices/homeweatherization/li-pac.html>

1 **Q: How does PGL classify low-income customers?**

2 A: To classify customers as low-income, PGL requires notice from the LIHEAP or PIPP
3 administrator (i.e. IL Department of Commerce and Economic Opportunity (DCEO)) of a
4 customer's enrollment in one of those two programs.²² Alternatively, a DCEO can notify
5 PGL of a customer that meets the requirements of LIHEAP but was not accepted for non-
6 income reasons, or a customer can apply through company's vendor for "CEJA definition"
7 exemptions and provides qualifying documentation.²³

8 **Q: What is your assessment of PGL's process of classifying low-income customers?**

9 A: PGL fails to classify more than 80% of its customers who fall below 60% of SMI as low-
10 income. As I noted earlier, the slots for both programs are severely limited and fail to meet
11 the demand of customers with incomes below the eligibility threshold of 60% of SMI.
12 Because PGL relies on a restrictive low-income classification process, it reports only 6.3%
13 of its customers as low-income. (50,510 designated low-income customers out of 807,822
14 total residential customers)²⁴. By contrast, the number of PGL customers who are below
15 60% of State Median Income (SMI) using U.S. DOE's LEAD Tool Data found that
16 292,744, or 36.2% of PGL customers are below the 60% SMI threshold . In other words,
17 only about 1/6th of PGL customers with an income below 60% of SMI are classified by
18 PGL as low-income, and 242,000 households do not receive benefits and programs they
19 should be eligible for.

²² PGL Exhibit 7.0, p. 23-24, lines 495-502 (Direct Testimony of Debra E. Egelhoff).

²³ PIO 5.23 PGL (LI)

²⁴ See PIO Workpaper 2. PGL Monthly Report - April 2023

1 **Q: What are the implications of customers with low incomes not being classified by PGL**
2 **as low-income?**

3 A: I have identified seven problems that result for this large subset of misclassified customers:

4 1. Improper late fee assessments – Customers officially classified as Low-Income are
5 exempt from late fees pursuant to Section 280.65 of Title 83: Public Utilities
6 Administrative Code²⁵. Customers who are not exempt may be assessed a 1.5% late
7 fee. WEC’s 2021 Form 10-K, p. 54²⁶ noted that the year over year increase of \$7.5
8 million PGL collected in late fees were particularly valuable to shareholders, as they
9 represent 38.4% of the year over year increase in net income attributable to the “Illinois
10 Segment”²⁷.

11 2. Improper deposit requirements – Customers who are not classified as low-income may
12 be subject to credit score checks and algorithms, which may result in increased
13 likelihood or amount of a required deposit. Deposits can represent a significant burden
14 and result in both lower reconnection rates and exacerbate other forms of energy
15 insecurity. This problem was highlighted in a recent Chicago Sun Times Article by
16 Stephanie Zimmerman²⁸.

²⁵ Procedures for Gas, Electric, Water, and Sanitary Sewer Utilities Governing Eligibility for Service, Deposits, Billing, Payments, Refunds and Disconnection of Service. Retrieved April 17, 2023 from: <https://www.ilga.gov/commission/jcar/admincode/083/08300280sections.html>

²⁶ WEC Energy Group, 2021. Form 10-K, filed to the U.S. Securities and Exchange Commission for the year ending 12/31/2021. Retrieved April 17, 2023 from: <https://d18rn0p25nwr6d.cloudfront.net/CIK-0000783325/cd959ff0-d6eb-4f74-bc64-b0b84af10a05.pdf>

²⁷ Id. at page 53.

²⁸ Zimmerman, Stephanie, March 31, 2023. “Secret ‘risk rankings’ unfairly target struggling customers for faster gas, electricity cutoffs, consumer group says. *Chicago Sun Times*. Retrieved April 17, 2023 from: <https://chicago.suntimes.com/2023/3/31/23663848/comed-peoples-gas-nicor-north-shore-electric-gas-utilities-rates-icc-nclc-lusson-blacks-in-green>

1 3. More aggressive disconnection rates – For the period when disconnections were
 2 allowable in 2022 (April – November) PGL disconnected non-low-income customers,
 3 including customers not properly classified as low-income, 20 times more than low-
 4 income customers. The data shown below is drawn from PGL’s monthly Credit,
 5 Collections and Arrearages reports²⁹

| Customer class | #Customers (average month) | # Disconnections | Disconnection Rate |
|----------------|-------------------------------|------------------|--------------------|
| Non-Low-Income | 801,171 | 15,410 | 1.92% |
| Low-Income | 66,644 | 64 | 0.096% |

6
 7 4. Higher failure rates of DPAs – Among all residential customers, for every successfully
 8 completed DPA, there are 8.9 failed DPAs. By contrast, among only low-income
 9 customers, that rate drops to just 1.1 failed DPAs per successful completion, an 8-fold
 10 improvement.

11 5. Reduced access to energy efficiency programs – In 2024 and 2025, budgets for PGLs
 12 income-eligible energy efficiency programs are about three times greater for non-
 13 income eligible residential programs, indicating more resources per capita for
 14 customers who qualify. (See PIO Exhibit 2.5)

15 6. Ineligibility for the proposed Low-Income Discount Credit (LIDC) – Approximately
 16 242,000 low-income customers may not be eligible for PGL’s proposed 40% low-

²⁹ Data represents averages for April – November, 2022. See PIO Workpaper 5. Monthly reports by utility are also publicly available here: <https://www.icc.illinois.gov/industry-reports/credit-collections-and-arrearages-reports>

1 income credit.³⁰ This credit would dramatically increase the affordability of their
2 energy bills and their ability to avoid disconnections, but only if customers that meet
3 the income eligibility threshold are properly classified as low-income by PGL. This
4 credit is particularly necessary given the shortfall of LIHEAP and PIPP to meet the
5 documented demand for energy bill assistance.

- 6 7. Cumulative and Compounding Impacts Resulting from 1. – 6. – Energy poverty results
7 in 50-100% greater odds of entering and remaining in long-term poverty overall.³¹ If
8 242,000 low-income customers are not classified as such, face higher disconnection
9 rates, reduced access to resources to reduce their energy consumption and lower their
10 bills, and are subject to late fees and additional deposits, all of these factors will
11 combine to result in significantly greater harm than any individual factor. Moreover,
12 prolonged energy poverty and energy insecurity will have long-term, even
13 intergenerational impacts on vulnerable households and communities of color.

14 **Q: Have you observed any disparate impacts by race?**

15 A: Yes, and I have developed a table to show my findings. Within PGL's service territory,
16 even among zip codes with comparable median incomes, the rates of disconnection
17 notices and disconnections are higher among zip codes that are most represented by a
18 racial minority and rates of reconnection are lower among these same zip codes.

19 I used 2021 PGL data filed in the Company's 2021 annual report. I then added
20 columns to calculate the rates of disconnection notices among customers (Column G), the

³⁰ See PGL Exhibit 7.9.

³¹ Bohr, Jeremiah, and Anna C. McCreery. "Do energy burdens contribute to economic poverty in the United States? A panel analysis." *Social Forces* 99, no. 1 (2020): 155-177. Abstract is publicly available at: <https://academic.oup.com/sf/article-abstract/99/1/155/5618802>

1 rate of disconnections (Column I), the rate of disconnection notices that resulted in
2 disconnections (Column J) and the rate of reconnections (Column L). I also looked up
3 demographic data for each zip code, including median income (Column B), percentage of
4 residents who identify as Black, Indigenous, or other People of Color (i.e. “BIPOC”, non-
5 White; Column C) and the most significantly represented racial identity (Column D).

6 My objective was to draw a mixed sample of zip codes that had different racial
7 composition but shared similar median incomes. As the race plurality of all zip codes
8 with incomes above \$80,000 is White and the dominant race of all zip codes with median
9 incomes below \$50,000 is BIPOC, I excluded these from analysis. My intention was to
10 compare how zip codes with similar economic characteristics but different racial
11 compositions experience disconnections. The sample includes 20 zip codes with median
12 incomes that range from \$51,159 to \$76,258. In 11 of these zip codes, the most
13 represented race is Black, Hispanic, or Asian and includes 173,319 customers. In 9 zip
14 codes the most represented race is white and includes 119,601 customers.

15 Here is the table:

| Zip Code | Median Income | % BIPOC | Primary race | # Customers | # Disconnection Notices | Disconnection notice rate (%) | # Disconnections | Disconnection rate (%) | Rate of disconnection notices resulting in disconnection (%) | # Reconnections | Rate of reconnection (%) |
|--------------|---------------|---------|-----------------|-------------|-------------------------|-------------------------------|------------------|------------------------|--|-----------------|--------------------------|
| 60638 | \$76,258 | 59.3% | 55.3% Hispanic | 16,994 | 1,692 | 10.0% | 142 | 0.84% | 8.4% | 74 | 52.1% |
| 60625 | \$76,088 | 53.6% | 46.4% White | 25,579 | 2,297 | 9.0% | 158 | 0.62% | 6.9% | 84 | 53.2% |
| 60634 | \$75,878 | 50.0% | 50% White | 22,803 | 2,160 | 9.5% | 137 | 0.60% | 6.3% | 72 | 52.6% |
| 60656 | \$75,006 | 30.1% | 69.9% White | 6,684 | 328 | 4.9% | 19 | 0.28% | 5.8% | 14 | 73.7% |
| 60643 | \$73,285 | 78.8% | 71% Black | 16,872 | 4,695 | 27.8% | 349 | 2.07% | 7.4% | 160 | 45.8% |
| 60641 | \$72,950 | 64.2% | 54.3% Hispanic | 21,682 | 2,685 | 12.4% | 219 | 1.01% | 8.2% | 106 | 48.4% |
| 60652 | \$70,766 | 91.7% | 47.2% Hispanic | 12,117 | 1,995 | 16.5% | 82 | 0.68% | 4.1% | 44 | 53.7% |
| 60604 | \$67,938 | 25.0% | 75% White | 74 | 7 | 9.5% | - | 0.00% | 0.0% | - | #DIV/0! |
| 60616 | \$65,489 | 70.6% | 37.2% Asian | 13,036 | 1,205 | 9.2% | 77 | 0.59% | 6.4% | 44 | 57.1% |
| 60640 | \$63,660 | 44.5% | 55.5% White | 18,411 | 1,219 | 6.6% | 49 | 0.27% | 4.0% | 24 | 49.0% |
| 60645 | \$63,488 | 55.7% | 44.3% White | 12,715 | 2,020 | 15.9% | 55 | 0.43% | 2.7% | 34 | 61.8% |
| 60608 | \$61,490 | 79.8% | 47.2% Hispanic | 24,594 | 4,426 | 18.0% | 235 | 0.96% | 5.3% | 104 | 44.3% |
| 60609 | \$60,982 | 85.2% | 54% Hispanic | 19,156 | 5,769 | 30.1% | 540 | 2.82% | 9.4% | 177 | 32.8% |
| 60659 | \$57,077 | 64.1% | 35.9% White | 11,162 | 1,651 | 14.8% | 52 | 0.47% | 3.1% | 21 | 40.4% |
| 60660 | \$56,090 | 50.2% | 49.8% White | 8,850 | 837 | 9.5% | 24 | 0.27% | 2.9% | 4 | 16.7% |
| 60633 | \$54,074 | 68.1% | 41.6% Hispanic | 3,272 | 546 | 16.7% | 82 | 2.51% | 15.0% | 31 | 37.8% |
| 60639 | \$53,197 | 91.0% | 74.6% Hispanic | 22,845 | 5,204 | 22.8% | 256 | 1.12% | 4.9% | 87 | 34.0% |
| 60612 | \$52,126 | 78.3% | 54.6% Black | 11,872 | 2,781 | 23.4% | 323 | 2.72% | 11.6% | 123 | 38.1% |
| 60626 | \$51,562 | 54.2% | 45.8% White | 13,323 | 1,956 | 14.7% | 54 | 0.41% | 2.8% | 18 | 33.3% |
| 60615 | \$51,159 | 71.7% | 53.2% Black | 10,879 | 2,663 | 24.5% | 174 | 1.60% | 6.5% | 60 | 34.5% |
| 11 zip codes | \$62,889 | 76% | BIPOC plurality | 173,319 | 33,661 | 19.4% | 2,479 | 1.43% | 7.4% | 1,010 | 40.7% |
| 9 zip codes | \$65,199 | 47% | White plurality | 119,601 | 12,475 | 10.4% | 548 | 0.46% | 4.4% | 271 | 49.5% |

1

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This is a summary of my findings:

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10

| | BIPOC-represented | White-represented |
|---|-------------------|-------------------|
| # zip codes | 11 | 9 |
| # customers | 173,319 | 119,601 |
| Average of zip code median incomes | \$62,889 | \$65,199 |
| Disconnection notice rate | 19.4% | 10.4% |
| Disconnection rate | 1.43% | 0.46% |
| % of disconnections notices resulting in disconnections | 7.7% | 4.4% |
| Reconnection rate | 40.7% | 49.5% |

11

Q: What do you take away from these findings?

12

A: Despite having similar incomes, households have very different experiences with PGL

13

shutoffs depending on the racial composition of their zip code. Households in

14

communities where the most represented race is Black, Hispanic or Asian receive

1 disconnection notices at almost double the rate of those who live in predominantly white
2 communities. The disconnection rate among BIPOC communities is triple, in part
3 because 75% more households who receive disconnection notices are actually
4 disconnected. And even with such high disconnection rates, households in BIPOC
5 communities get reconnected at a rate 20% lower than in whiter communities. The
6 experience of these PGL customers in predominantly BIPOC communities meets the
7 definition of environmental racism put forth by Dr. Robert Bullard, who is known as the
8 “father of the environmental justice movement.”³² “Environmental racism refers to any
9 policy, practice or directive that differentially affects or disadvantages (whether intended
10 or unintended) individuals, groups, or communities on the basis of race or color.”³³

11 **Q: What is your assessment of ICC’s historical position on disconnections?**

12 **A:** ICC is on the record for taking a strong stance to halt disconnections at the very
13 beginning of COVID-19. “The ICC is prepared to do everything possible within our
14 authority to ensure consumers’ essential water, natural gas, and electric services remain
15 intact for all Illinois citizens.”³⁴ Commissioner Sadzi Martha Oliva echoed a similar
16 sentiment: “This emergency order ensures that no one loses power, natural gas or running
17 water because they can’t afford to pay their bills during these hard times. If we all work

³² Buckley, Cara, September 12, 2022. “At 75, the Father of Environmental Justice Meets the Moment.” *New York Times*. Retrieved May 8, 2023 from: <https://www.nytimes.com/2022/09/12/climate/robert-bullard-environmental-justice.html>

³³ p. 451, Bullard, Robert D. "The legacy of American apartheid and environmental racism." . *John's J. Legal Comment*. 9 (1993): 445. Retrieved May 8, 2023 from:
<https://scholarship.law.stjohns.edu/cgi/viewcontent.cgi?article=1460&context=jcred>

³⁴ ICC Chairwoman Zalewski, March 13, 2020. ICC Calls on Utilities to Halt Shut-Offs and Late Payment Fees Amid Coronavirus Concerns. Retrieved April 19th, 2023 from:
<https://www.icc.illinois.gov/downloads/public/May%202013%202020%20ICC%20PR%20-%20COVID-19%20-%20Halt%20Utility%20Disconnects.pdf>

1 together, we can make it through this crisis.”

2 I applaud the Commissioners’ leadership to keep Illinoisans safe and protected
3 during COVID-19. The conditions that the Commissioners sought to protect vulnerable
4 households from then, however, are still prevalent today. Energy insecurity is a baseline
5 condition for between ¼ and 1/3 of Illinoisans and Chicagoans, even in the best of times.

6 What made ICC’s COVID-19 response powerful and admirable was its sweeping
7 scope. It did not tinker around the margins or tinker with solutions that would only
8 address the symptoms of the problem or benefit only some customers because there were
9 not enough slots to meet the collective need. It did not require an extensive study or cost
10 benefit analysis prior to its enactment because it was understood to be a moment of crisis.
11 I observed the Commission take proactive initiative and broad latitude to protect the
12 people they are sworn to serve.

13 The pandemic created an unprecedented hard time for many. But three years later,
14 the epidemic of energy insecurity in Illinois and among PGL customers remains in full
15 swing. The extent of these conditions and how prevalent they were among PGL’s
16 customers was not fully known until recently. With leadership from ICC and the IL state
17 legislature’s passage of 220 ILCS 5/8-201.10 (b), mandatory credit, collections, and
18 arrearages reports now paint an exacting picture of customer vulnerability and exposure
19 to disconnections. This is the first time ICC is tasked with finalizing an order on rate
20 cases with this data on hand.

21 Today the impacts of energy insecurity disproportionately harm Black, Hispanic,
22 and low-income households and communities. Energy insecurity is the result of a
23 structural gap between incomes and rising costs, between volatile and rising natural gas

1 prices and flatlining wages, between older inefficient homes and a standard of healthy,
2 efficient housing. Energy insecurity is a structural gap between those who continue to
3 experience the harms of redlining and those who have been able to take advantage of
4 federal tax credits and incentives to enjoy the environmental, health, and financial
5 benefits of rooftop solar, electric vehicles and home electrification. Energy insecurity
6 reflects the gulf between the haves and the have nots.

7 This gulf is absolutely pertinent to regulatory decisions about utility rate cases,
8 protections for low-income customers, and the establishment of robust low-income
9 discount structures. Prior to considering whether to allow disconnections to continue,
10 every possible alternative should be exhausted. While providing a robust low-income
11 discount rate has an associated cost, alternatives are readily apparent. Consider that in a
12 recent op-ed, Governor Pritzker recently proposed 11 policies would all contribute to
13 preventing disconnections.³⁵ The board of the Los Angeles Department of Water and
14 Power (LADWP) voted unanimously to end disconnections that result from customers'
15 inability to pay³⁶. Like PGL, LADWP serves a large, urban, customer base with a large
16 proportion of people of color and high concentrations of poverty: "Our own data shows
17 that majority Black and LatinX communities were nearly 2.5 and 2 times, respectively,
18 more likely to experience shutoffs than majority white communities. Black and Latino-

³⁵ Governor J.B. Pritzker, March 8, 2023. "Make Natural Gas Utilities More Accountable to the Public and State." *Chicago Sun-Times*. Retrieved April 19, 2023 from: <https://chicago.suntimes.com/2023/3/8/23631191/natural-gas-utilities-illinois-commerce-commission-ceja-prices-rate-increases>

³⁶ Hayley Smith, November 16, 2022. "Los Angeles DWP to End Water and Power Shutoffs for Low-Income Customers Who Can't Pay." *Los Angeles Times*. Retrieved April 19, 2023 from: <https://www.latimes.com/california/story/2022-11-16/l-a-to-end-water-and-power-shutoffs-for-low-income-customers-who-cant-pay>

1 majority communities also generally experience the longest shut-off durations.”

2 To me, the concerns for human welfare that sparked that Commission orders on
3 COVID-19 have not lifted and today’s widespread energy insecurity requires the same
4 protections from 2020-2021. The disconnection moratorium that ICC decided to enact in
5 2020 and then extend through the winter of 2021 was the only tool available to the
6 Commission that could provide universal protection and guarantee all Illinoisans
7 maintained access to a basic human need. It ensured that no one faced the indignity of
8 living in a frigid home. That same tool—or something close to it—is still available to
9 ICC to respond to the continuing crisis of widespread energy insecurity and energy bills
10 that too many households have no hope of affording.

11 **Q: What is your recommendation to the ICC on the matter of disconnections?**

12 A: I recommend ICC open a rulemaking to revisit its policies governing disconnections and
13 associated customer protections against late fees, additional deposits, and reconnection
14 fees. There is enough money in the customer base so that no one must face an energy
15 burden above 6% or a disconnection. Achieving this robust level of distributive and
16 restorative equity will require exploring all options to reduce customer bills, maximize
17 assistance, leverage new sources to enhance energy efficiency and beneficial
18 electrification, restructuring regressive customer charges, and ensuring that all customer
19 classes pay their fair share to ensure universal access to affordable energy.

1 **V. ANALYSIS OF PGL'S PROPOSED RATE INCREASE AND LOW-INCOME**
2 **DISCOUNT CREDIT**

3 **Q: Please describe this section of your testimony.**

4 A: In this section of my testimony, I discuss how PGL's proposed single-tiered income credit
5 is not structured to effectively mitigate unaffordable gas burdens above 3%. I recommend
6 an alternative two-tiered rate of a 75% credit for the lowest income households (below 30%
7 SMI) and a 25% credit for households earning 30-60% of SMI. Furthermore, I discuss
8 recommendations to improve PGL's current income qualification and LIDC enrollment
9 processes to maximize the number of eligible households that receive the LIDC.

10 **Q: How would the proposed rate increase impact customers below the low-income**
11 **threshold who have not been classified as low-income by PGL?**

12 A: PGL proposes an increase in average residential annual bills from \$1,197 to \$1,514, or a
13 \$317 (26.5%) increase (see PGL Ex. 7.6.). This cost increase will be greatest during the
14 winter months: \$43.55 in December, \$45.72 in January, \$42.19 in February, and \$32.99 in
15 March. Over these four months when disconnections are prohibited, residential customers
16 will owe an additional \$164.45, on average, and many—particularly low-income
17 customers who are more likely to live in older, less efficient housing. Households living at
18 the edge of poverty are unlikely to have additional disposable income available to make
19 payments before the current pattern of disconnections resumes each spring.

20 **Q: How would the LIDC proposed by PGL work?**

21 A: PGL has proposed a single tier 40% LIDC for the customers it classifies as low-income. It
22 would continue using its current process of classifying customers as low-income when it

1 receives reports from the LIHEAP and PIPP administrators (DCEO) that a customer is
2 enrolled in one of those programs.

3 **Q: How does PGL project the impacts of its proposed LIDC?**

4 A: To my knowledge and from my review of PGL Ex. 7 and its appendices, PGL does not
5 estimate the number of customers who would participate in the LIDC nor its impact on
6 other customer classes in ICC 23-0068/0069 cons. In PGL's response to Staff's Request
7 for Feedback on *Low Income Discount Rates for Electric and Gas Residential Customers*
8 dated June 24, 2022³⁷, PGL concludes with an estimation of the impacts of one scenario.
9 This scenario assumes 65,000 customers participate in a \$50 / month credit. It determines
10 that this would cost \$39,000,000 and result in additional cost of \$4.70 per month per
11 customer (which I assume to be per residential customer; PGL did not specify).

12 **Q: What is your assessment of how effective PGL's proposed LIDC would mitigate**
13 **unaffordable bills for low-income customers?**

14 A: As a single-tiered credit, PGL's proposed LIDC would leave a large number of its
15 customers with excessive gas burdens well above the 3% threshold of affordability. More
16 specifically, PGL's proposed 40% credit would fail to achieve affordability for the
17 143,269 customers who fall below 30% of SMI. Under this proposed structure, those
18 lowest income customers would still face an average gas burden of 8.3% *after* the

³⁷ Available at: <https://icc.illinois.gov/downloads/public/Low%20Income%20Discount%20Rates/NSG-PGL%20Response%20-%20Staff%20Request%209-241%20final%20081222.pdf>

1 application of the LIDC, which is nearly three times the affordability goal of 3% (see
 2 table below).

Impact of proposed two-tiered credit on annual energy costs and energy burdens

| SMI % | Number of customers | Income | Gas cost | Gas burden | Credit % | Annual credit \$ ** | Gas cost after credit | Gas burden after credit |
|---------------------------|---------------------|----------|----------|------------|----------|---------------------|-----------------------|-------------------------|
| 0-30% (displayed as 15%) | 143,269 | \$10,884 | \$1,514 | 13.9% | 40% | \$606 | \$908 | 8.3% |
| 30-60% (displayed as 45%) | 149,475 | \$32,653 | \$1,514 | 4.6% | 40% | \$606 | \$908 | 2.8% |
| 60-80% (displayed as 70%) | 74,613 | \$50,794 | \$1,514 | 3.0% | 0% | \$0 | \$1,514 | 3.0% |

** Affordability target is 3.0%

3

4 **Q: From an equity perspective, what is your assessment of PGL’s proposed cost**
 5 **allocation method of its Low-Income Discount Adjustment (LIDA)?**

6 **A:** PGL’s proposal presents significant distributive inequity concerns. PGL proposes to put
 7 the greatest burden of cost recovery on other residential customers. In Exhibit PGL 7.9,
 8 the Company proposes to use the multipliers from the Energy Assistance Act. These are
 9 fixed based on customer usage, rather than volumetric. Charges for non-residential
 10 customers using up to 4,000,000 therms annually would be fixed at 10 times the
 11 residential surcharge, while customers using more than 4,000,000 therms annually would
 12 pay 375 times the residential surcharge. Compared to a residential customer using a
 13 typical 1,000 therms annually³⁸, a non-residential customers using 2,000,000 therms
 14 would pay just 0.5% of the LIDA cost allocated to non-low-income residents, or **200**
 15 **times less on a volumetric basis.** For the largest non-residential customers, the LIDA

³⁸ See PGL Ex 7.6

1 would be just 7.5% of the residential rate (13.3 times less on a volumetric basis) for
2 customers consuming 5,000,000 therms annually.

| Class | Usage | LIDA factor | Therms / LIDA | Residential share |
|-----------------|--------------|--------------------|----------------------|--------------------------|
| Residential | 1,000 | 1 | 1,000 | 100% |
| Non-residential | 2,000,000 | 10 | 200,000 | 0.5% |
| Non-residential | 5,000,000 | 375 | 13,333 | 7.5% |

3
4 The current structure of proposing cost shifts to be borne among residential customers as
5 it stands, proposes a 26% rate increase which is unsustainable. PGL has failed to make
6 energy affordable to its low-income customers in multiple ways—by using a narrow
7 definition for low-income that excludes the majority of customers with incomes below
8 60% of SMI from low-income benefits, by offering Deferred Payment Arrangements that
9 routinely fail, by assessing late fees that generate significant profits for shareholders, and
10 by continuing to propose escalating fixed monthly charges that are regressive and
11 disincentivize efficiency and conservation. PGL’s proposal pits affordability of low-
12 income residential customers against rate increases to non-low-income residential
13 customers in a zero-sum scenario. To achieve an equitable cost allocation of the LIDC, I
14 recommend that ICC require PGL to present alternatives that increase the cost share
15 among both non-residential customers and shareholders.

1 **VI. RECOMMENDED STRATEGIES FOR OPTIMIZING UPTAKE AND BENEFITS**

2 **1. Maximize equitable enrollment**

3 **Q: How can PGL and community partners ensure that as many customers with eligible**
4 **incomes as possible are continuously receiving the LIDC?**

5 A: I propose three general strategies for maximizing enrollment, which I summarize here and
6 discuss in more detail below: 1) Enable automatic enrollment (“auto-enrollment”) and
7 annual recertification, 2) Allow for immediate customer self-certification, and 3) Ensure
8 equitable participation on the basis of zip code and customer demographics.

9 1) Enable auto-enrollment and annual recertification - Participating in *any* income-
10 qualified programs that meet the LIDC threshold of 60% of SMI should automatically
11 qualify customers for enrollment. PGL should request lists of eligible customers from as
12 many public sources as possible, not just the LIHEAP and PIPP administrators.
13 Administering agencies and local human and social service agencies that have already
14 completed an income qualification process for the customer should be empowered to enroll
15 that customer in LIDC. PGL should coordinate with additional agencies to facilitate these
16 auto-enrollments. Partner agencies should recertify customers for the upcoming year as
17 soon as income verification is available. If a customer has not been recertified at the end
18 of the year, extensive efforts should be made to recertify that customer or to confirm that
19 the customer has in fact exceeded the income eligibility threshold.

20 2) Allow for immediate customer self-certification – Income verification by
21 administering agencies should not be the only avenue for certification. Customers should
22 be empowered through a simple, accessible process to document their incomes to PGL or

1 an LIDC administrator that operates on behalf of PGL. Nicor Gas has adopted this best
2 practice. Self-certification mechanisms should include submitting documents by email or
3 text, providing visual confirmation through video conferencing (e.g. Facetime, Zoom), or
4 uploading documents to mobile kiosks. PGL should verify documents and finalize
5 enrollment within ten business days.

6 3) Ensure equitable participation on the basis of zip code and customer
7 demographics – PGL should use its zip-code scale data on disconnection notice and
8 disconnection rates, arrearages, payment plan participation and outcomes to target
9 enhanced marketing efforts and track participation disparities in the LIDC. PGL should use
10 data on income (U.S. Census) and energy consumption (U.S. DOE LEAD Tool) to identify
11 communities that are vulnerable to high gas burdens and target marketing efforts.
12 Marketing materials and strategies should be designed in partnership with residents of
13 impacted and underserved communities and grassroots community organizations.
14 Effective marketing will apply messaging that is easy to understand, culturally relevant
15 (i.e. includes representation of people of their race, ethnicity, class, location, and cultural
16 practices), available in their native language, available in multiple informational channels
17 (physical mailings, emails, social media, flyers in popular community locations, placement
18 in community media such as non-profit newsletters). PGL could contract marketing and
19 outreach work out to locally-owned and minority-owned businesses and grassroots
20 organizations. While PGL has identified these strategies for its Energy Efficiency Plan 4
21 (January 1, 2022 – December 31, 2025; see PIO Exhibit 2.5), that plan does not appear to
22 allocate sufficient funds to implement a robust marketing strategy. The budgets for
23 marketing income-eligible single family energy efficiency programs average less than

1 \$20,000 out of an annual budget of \$5,251,705 for that program, representing less than
2 0.4% of the total program budget (see p. 33).

3 **Q: Do you have concerns about a lag time between the approval of the LIDC and its**
4 **implementation?**

5 A: Yes, I have two concerns. First, PGL's proposes to initiate the Low-Income Discount
6 Credit (LIDC) 180 days following Commission approval (see PGL Ex. 7.0 Egelhoff
7 Direct, p. 23). Approval of the LIDC signifies a recognition that relief is needed for low-
8 income customers. If PGL requires 180 days to implement the change, customers should
9 receive retroactive credit from the date of approval. The credit should apply to all charges
10 accrued prior to PGL's implementation of the credit. Furthermore, customers should be
11 exempt from late fees, disconnections, requirements to enroll in Deferred Payment
12 Agreements or submit additional deposits that would otherwise have been assessed
13 during the implementation period. Similarly, customers should receive relief from credit,
14 collections and disconnection practices from the day they submit an application to LIDC,
15 and the LIDC benefit should be retroactive to that date.

16 **Q: Do you have recommendations about PGL's annual LIDC recertification process?**

17 A: PGL Ex. 7.9, p.1 proposes that customers who are eligible for LIDC prior to September 1
18 must recertify after December 31st, a turnaround that might be as little as just over four
19 months, instead of the standard year. As few customers will experience an increase in
20 incomes that changes their status to be ineligible for low-income programs, PGL should
21 send a simple request for update to customers and / or administering assistance agencies
22 seeking information about any significant changes in income, with the default being that

1 if no updates are submitted, customers will remain on the LIDC and classified as LI for
2 the duration of 2024.

3 **2. Leverage funds for the greatest benefit for customers in greatest need**

4 **Q: Are there other opportunities to support greater affordability and reduce natural gas**
5 **consumption of low-income customers?**

6 A: Yes. PGL should begin by holistically supporting its customers across program offerings.
7 For maximum effectiveness to reduce unaffordable energy bills, PGL should offer energy
8 efficiency programs, especially deep home retrofits, in combination with proactive efforts
9 to enroll customers in bill assistance programs. Multi-pronged efforts are more effective at
10 reducing the roots of energy insecurity and thus provide benefits to the entire customer
11 base. The federal Infrastructure Reduction Act (IRA) of 2022 offers unprecedented funding
12 levels for energy efficiency and clean energy. Under the Whole-House Rebates (HOMES)
13 program, for instance, low-income customers can get up to 80% of the cost of energy
14 efficiency and beneficial electrification costs covered³⁹. ICC should require PGL to make
15 every effort to support customers in securing these rebates and consider a performance-
16 based approach; in the context of a performance-based approach, PGL could share a small
17 financial incentive based on the number of customers and federal investments that flow to
18 its customers. These investments would benefit participants directly and other ratepayers
19 by allowing existing energy assistance funds to stretch further.

³⁹ Congressional Research Service, November 28, 2022. The Inflation Reduction Act: Financial Incentives for Residential Energy Efficiency and Electrification Projects. Retrieved April 19, 2023 from: https://crsreports.congress.gov/product/pdf/IF/IF12258/2?tid=1k_inline_enhanced-template

1 **VII. CONCLUSION**

2 **Q: Please summarize your recommendations.**

3 A: I recommend the Commission:

- 4 1. Ensure Peoples provides all customer protections as afforded by Illinois
5 Administrative Code Section 280 consistently to all customers, particularly
6 relief from late fees.
- 7 2. Further investigate racial disparities in disconnection and collection
8 practices by PGL and require the Company to rectify these problems.
- 9 3. Require PGL to institute a more inclusive low-income qualification process,
10 including the allowance for customer self-certification.
- 11 4. In an effort to achieve universal energy affordability and minimize gas
12 burdens above 3% of household income, establish a robust two-tiered LIDC
13 that provides a 75% credit to the lowest income households (0-30% of State
14 Median Income (SMI)) and a 25% credit to households at 30-60% of AMI.
- 15 5. In recognition of the ongoing crises of energy insecurity and unaffordability,
16 open a rulemaking to revisit and amend current disconnection protection
17 policies. The ICC should require PGL to holistically and proactively ensure
18 that all available programs and resources have been offered to customers
19 before a disconnection—a very last resort--can be executed.

20 **Q: Do you have anything else to add for the Commission's consideration?**

21 A: Protecting customers vulnerable to energy insecurity and structurally unable to afford their
22 energy bills because they do not earn enough income should be the highest priority for this

1 Commission. Without sufficient equity measures in place, energy insecurity and
2 unaffordability threaten lives, livelihoods, and well-being, not just among current
3 customers, but among their children and even future generations.

4 The Commission should take an *outcomes*-based approach to rectifying the racial
5 disparities I have identified. More study of the disparities identified above is possible and
6 might add some value to our understanding. Perhaps more importantly, beginning to
7 more effectively evaluate and track these disparities would allow for determining the
8 impacts on low-income customers and majority BIPOC communities through an equity
9 lens. But given the immediate crises of affordability and disconnections, more study
10 should not forestall actions that immediately protect the health and well-being of all
11 customers.

12 The Public Utilities Act⁴⁰ explicitly cites as a goal of regulation to ensure:

13 (d) Equity: the fair treatment of consumers and investors in order that (i) the
14 public health, safety and welfare shall be protected; ... (viii) the rates for
15 utility services are affordable and *therefore preserve the availability of such*
16 *services to all citizens.* [emphasis added].

17 It is impossible to protect public health, safety and welfare while concurrently
18 allowing customers to experience unnecessarily high bills and disconnections. Similarly,
19 Title VI, the landmark Civil Rights legislation of 1964, identifies two equity concerns:
20 equitable treatment and equitable impact. Equitable treatment is primarily a concern of
21 procedural equity that seeks that the same policies and procedures be followed regardless

⁴⁰ (220 ILCS 5/1-102(d)) <https://www.ilga.gov/legislation/ilcs/ilcs5.asp?ActID=1277&ChapterID=23>

1 of the population or community. Equitable impact considers distributive equity
2 *regardless* of intent.

3 Even if the stated policies and procedures are applied evenly to all customers, this
4 is *not sufficient* to fulfill the Commission’s mandate to ensure equity. Achieving
5 distributive parity in the context of disconnections entails additional affordability
6 supports for low-income customers or customers living in the most impacted zip codes,
7 which happen to be predominantly BIPOC. Ensuring equity—truly fair treatment with a
8 focus on distributive equity—will require an understanding of different starting points,
9 and special efforts and investments so that the status quo policies do not result in
10 inequitable treatment of people of color and people of lower incomes.

11 **Q: Does this conclude your direct testimony?**

12 A: Yes, it does.