

Florida Department of Community Affairs:

Report to the Legislature Pursuant to CS/HB697

In collaboration with the

Florida Energy Affordability Coalition (FLEAC)

Presented by:

Thomas G. Pelham, Secretary
Department of Community Affairs

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The Department of Community Affairs (DCA) and the Florida Energy Affordability Coalition (FLEAC) are committed to a continuous improvement in the delivery of safe and affordable energy to all Florida households, including low-income households.

The findings and proposals contained in this report should not be viewed as final or comprehensive in nature. DCA/FLEAC intend to continue working collaboratively in developing proposals and improving programs for presentation to the Legislature and others as appropriate.

As directed by CS/HB 697, these proposals were developed by the DCA in conjunction with FLEAC. However, the discussion and comments that follow have been prepared by DCA and are not unanimously or unconditionally supported by all member organizations of FLEAC.

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INTRODUCTION

As we consider and plan for Florida's energy future, our vision must be inclusive. The relative cost of home energy and general economic circumstances have weakened the ability of low- and moderate-income individuals to pay their utility bills. The difference between what these households can afford to pay and their home energy bill, the *energy affordability gap*, is steadily growing. Supportive services, both publicly and privately funded, have not kept pace with the need for assistance. Rules designed to shield vulnerable customers from loss of service are often weak or counterproductive.

As the cost of home energy continues to rise, this segment of our population will increasingly be presented with energy bills they cannot realistically afford to pay; utility companies will be faced with escalating losses due to more delinquent and defaulted customers, and social services agencies will see a rising number of clients who they do not have the resources to assist. Solutions must be found that support a strong Florida economy and workforce, safe and healthy homes, and vibrant communities.

THE ENERGY AFFORDABILITY LEGISLATIVE DIRECTIVE

In 2008, the Florida Legislature directed the Department of Community Affairs (DCA) to develop a set of legislative proposals needed to address the affordability of home energy for low-income residential customers. Chapter 2008-191, Laws of Florida, directs DCA to work with the Florida Energy Affordability Coalition (FLEAC) and identify proposals that:

- support customer health, safety, and well-being;
- maximize available financial and energy-conservation assistance;
- improve the quality of service to customers seeking assistance; and
- educate customers to make informed decisions regarding energy use and conservation.

THE FLORIDA ENERGY AFFORDABILITY COALITION (FLEAC)

FLEAC is a statewide collaboration of stakeholders, including customer, government, social service agencies and energy providers, all working to find better ways to assist Florida families in need. FLEAC brings together public, private and nonprofit sector organizations seeking to make energy more affordable for low-to-moderate income Floridians experiencing difficulty paying for energy needed to maintain a safe and healthy living environment and facilitates assistance to improve their well-being. A list of FLEAC's charter members is attached to this report as Appendix A.

THE PROCESS OF DEVELOPING PROPOSALS

DCA worked collaboratively with the members of FLEAC to develop the energy affordability proposals presented in this report. The process began with a facilitated workshop on July 17, 2008, at which FLEAC participants identified and ranked more than 50 potential strategies to use in addressing the causes and consequences of unaffordable home energy. Taking that membership-generated list, DCA staff worked with a smaller FLEAC working group to consolidate and elaborate the identified priorities. A revised list of proposals was then submitted to the FLEAC membership for review and comment before being finalized for inclusion in this report. *Except as otherwise specifically noted, the proposals as presented in the Summary Matrix (See Appendix D) were reviewed by all participating organizations and objections have been noted. As directed by CS/HB 697, these proposals were developed by the DCA in conjunction with FLEAC. However, the discussion and comments that follow have been prepared by DCA and are not unanimously or unconditionally supported by all member organizations of FLEAC.*

SECTION 1: FLORIDA'S ENERGY AFFORDABILITY CONCERNS

The growing home energy affordable gap for low-income people harms the State of Florida. This gap poses the risk that low-income households might lose access to electricity, heating and cooling services essential to modern life. In addition, this situation poses a business problem to utilities that cannot collect their entire bills. It poses a public health and safety problem, a housing problem, and an education problem for the state.

The discussion below summarizes many of the concerns arising from the extent to which actual home energy bills in Florida exceed those bills that low-income Florida households can afford to pay.

1. The energy affordability gap is growing among low and moderate income Floridians.

One way to measure the economic impact of home energy burden is by calculating the difference between what low- and moderate-income households can afford to pay and their home energy bill, known as the home *energy affordability gap*. In dollars, these numbers are staggering. In 2002, Florida's home energy affordability gap was estimated to be \$876 million. In 2007, that gap rose to \$1.78 billion.¹

On average, each low-income household in Florida received a home energy bill in 2007 that was \$999 *more* than the household could afford to pay. That per-household affordability gap has more than doubled since 2002. Florida has more than 2.5 million households that qualify for LIHEAP assistance at the maximum eligibility standard set by law.

2. Low-income households spend a significantly larger percent of their income on home energy.

While the average American family spends 4 to 6 percent of their household income on energy, low-income households spend a far larger percent. The home energy burden for Florida's low-income households has significantly increased since 2002. For the poorest Floridians, those with incomes below 50% of the federal poverty level, the home energy burden has grown from 39% in 2002 to 51% in 2007.¹

3. Existing energy assistance does not adequately address Florida's energy affordability gap.

The Low-Income Home Energy Assistance Program (LIHEAP) funded by U. S. Department of Health and Human Services (HHS) and administered by the DCA. LIHEAP is the single largest funding source for low-income energy bill payment assistance and weatherization in Florida. Historically, with the exception of the one-time influx of FFY 2009 funding as part of the

economic stimulus package, funding has averaged between \$25 - \$30 million each year. *This provides assistance for only 3-5% of the 2.8 million potentially eligible households.*²

Although additional federal funds were received in 2008 as part of a federal stimulus package, these funds are inadequate to address the majority of families that need energy assistance and weatherization.

A leveraging survey conducted by the Department for federal fiscal year 2007, identified approximately \$11 million additional nonfederal dollars being utilized for low-income energy bill payment assistance and energy efficiency programs. This included the contributions from utility company's fuel funds, local governments, and non-profit and faith-based charities.

4. Low-income people disproportionately live in older, less energy efficient homes.

Low-income people disproportionately live in older, energy inefficient homes. The up-front cost of increasing the efficiency of the home is usually beyond their means.

In addition, low-income households tend to be renters and have less control over the energy efficiency of their residences. There is little incentive for the landlord to cover the cost of energy efficiency improvements to the property.

Florida's Weatherization Assistance Program (WAP) is the only statewide program that conducts technically advanced energy audits and furnishes energy conservation repairs to low-income households. Typically, LIHEAP provides from \$3 - \$4 million per year to WAP and the U. S. Department of Energy (DOE) appropriates \$1.8 - \$2.0 million per year.² With these funds, fewer than 1,500 homes can be weatherized statewide each year.

5. Low-income households must make difficult and dangerous decisions to pay their utility bill.

According to the Children's Sentinel Nutrition Assessment Program (C-SNAP) of Boston Medical Center, babies and toddlers who live in energy insecure households are more likely to suffer poor health, require hospitalization, manifest developmental problems, and lack adequate food. C-SNAP found that when families do not have access to sufficient energy, they may resort to unsafe heating methods and do not have the proper means to refrigerate or prepare food for their children.³

The 2005 National Energy Assistance Directors Association Survey of LIHEAP participants found that in order to pay their utility bill, respondents reported not filling prescriptions or going without food.⁴

High energy burdens among older, low-and moderate-income households, exposes them to the risks of going without adequate heating or cooling, frequently resulting in adverse health and safety outcomes, including premature death.

Unaffordable home energy undermines state and national priorities for seniors to age in place and avoid institutional care.⁵

6. *Often the low-income households are on a fixed income.*

The households at the lowest income level are often on a fixed income from social security, disability or retirement. When energy prices escalate, their incomes do not keep pace. They have less flexibility in their budgets to address increases in energy costs.

7. *Current energy deposits and penalties make the situation more challenging.*

Although it is understandable why utility companies require deposits and late payment penalties, this ineffective policy exacerbates the difficulties faced by households who already cannot afford the home energy they need. In the long run, none of the parties involved, the customer, the utility company or the social service agency are benefited. Numerous states and utilities have looked beyond traditional deposit and penalty policies for more effective approaches.

8. *Significant weather-related power outages illustrate the necessity of home energy.*

A consistent source of home energy is essential to health and safety. Not only is energy used to heat and cool our homes, but also for preserving food and medicines, lighting security, operating medical devices, heating water and telecommunication.

9. *Inability to pay utility bills, often leads to housing instability.*

Often when low-income households are unable to pay their utility bill, they move or become homeless. This is disruptive to the family, affects children's physical and mental health, as well as long-term behavioral, developmental and educational outcomes. Utility companies and landlords may be left with uncollectible bills. In this scenario, no one has been well served.³

¹ "On the Brink: 2007, The Home Energy Affordability Gap," April 2008, Fisher, Sheehan & Colton.

² See Appendix B for Florida LIHEAP and WAP Funding History.

³ "Fuel for Our Future: Impacts of Energy Insecurity on Children's Health, Wellness and Learning," September 2007, Children's Sentinel Nutrition Assessment Program (C-SNAP) in collaboration with Citizens Energy Corporation.

⁴ "National Energy Assistance Survey Report," April 2004, National Energy Assistance Directors' Association

⁵ "Home Energy Costs: The New Threat to Independent Living for the Nation's Low-Income Elderly," January-February 2008, Clearinghouse REVIEW Journal of Poverty Law and Policy.

SECTION 2: FLORIDA ENERGY AFFORDABILITY PROPOSALS

Proposal #1: Energy Efficiency for Housing Receiving Public Subsidies

Consider adopting legislation requiring all State agencies that provide public subsidies for the development of new or substantially rehabilitated affordable housing units to include in their selection criteria preference for proposals that include energy standards that exceed those in the Florida Building Code in effect at the time.

Summary of Proposal

Florida should consider adopting legislation that requires state or local agencies providing public subsidies of any nature for the development of new or substantially rehabilitated affordable housing units to include a preference for housing exhibiting increased energy efficiency. The legislation would reach housing units developed with state funding, federal funding (e.g., HOME Investment Partnership funds, Low-Income Housing Tax Credits), local subsidies (e.g., zoning relief), or private funding (e.g., inclusionary zoning bylaws) to receive such preferences.

Background Information

Florida develops thousands of units of affordable housing using public funds. This provides the potential for the State to improve the efficiency of energy use by low- and moderate-income households. According to the U. S. Department of Housing and Urban Development, Home and Communities website for Florida (<http://www.hud.gov/offices/cpd/affordablehousing/reports/dasj.cf.?st=fl>), since beginning to use federal HOME dollars in 1992, the State has developed nearly 12,700 affordable housing units. Local jurisdictions qualify for federal moneys independent of the State. Miami-Dade County developed 2,498 units (in addition to the 1,318 developed by Miami), while Tampa and Hillsborough County developed more than 1,600 units of housing. The City of Tallahassee developed 1,093 units of affordable housing, while the City of Jacksonville developed 3,108 units. In total, 36 local jurisdictions in Florida receive federal HOME dollars in support of affordable housing development. Moreover, between 1988 and 2005, Florida placed into service more than 114,000 units of low-income housing developed using the federal Low-Income Housing Tax Credit (LIHTC).

These units of affordable housing, the development of which is supported with tax dollars, should meet exacting levels of energy efficiency. In Indiana, for example, the Indiana Housing and Community Development Authority (IHEDA) provides “preferences” for developers seeking funding subsidies through the highly-competitive HOME program. A “preference” makes it more likely that the developer applying for the public subsidy will be granted that

subsidy. Indiana also encourages the installation of energy efficiency measures in housing built using LIHTCs. Indiana's Qualified Allocation Plan (QAP), the state document prescribing how the LIHTCs will be distributed, cites energy efficiency measures as one of the characteristics of "high performance housing."

The recommended legislative action does not prescribe the mechanism for providing preferences to housing units developed to energy efficient standards. The legislation merely establishes the principle that so long as public funds are being used to support the new construction or substantial rehabilitation of affordable housing units, the public has the right to expect such housing units to meet prescribed levels of energy efficiency.

Proposal #2: Renewable Resources and Affordability

Consider adopting legislation directing the Florida Energy Office, in collaboration with Florida Department of Community Affairs, Florida Solar Energy Center, and other public and private partners, to identify the potential for the use of renewable energy initiatives for low-income households and to develop an implementation plan.

Summary of Proposal

Florida should consider directing those state agencies involved with the consideration of renewable energy to identify the technical and economic potential for renewable energy initiatives for high energy burden households and to consider the potential applicability of such renewable strategies to low-income housing. These agencies should deliver to the 2010 Legislature an action plan based on this study.

Background Information

The advantage of helping to remove low-income households who cannot afford to pay for their home energy from the non-renewable energy grid might “seem” self-evident. Documenting the technical feasibility and economic sense of pursuing such renewable technologies for these households, however, has lagged.

The Florida Energy Office, in collaboration with the Florida PSC and Lawrence Berkeley National Laboratory (LBNL), released a comprehensive study of the potential for renewable energy development in Florida in November 2008. The report helps to address the lack of credible information on the extent to which the development of renewable energy in Florida is viable. Additional research is needed to analyze the applicability of renewable technologies for high energy burdened households.

Other states are moving aggressively in this area. The California Public Utility Commission (CPUC), for example, approved a solar photovoltaic (PV) program targeting low-income households in 2007. “The goal of the CSI [California Solar Initiative] low-income incentive program,” the CPUC said, “should be to provide existing owner-occupied single family low-income homes with access to PV systems to decrease electricity usage and bills without increasing monthly household expenses.”

The incentives approved by the CPUC are designed to “provide a homeowner who has no federal tax liability with a positive cash flow in the first year of the installation”. The California program will provide fully subsidized PV systems to owner-occupied households that qualify as

“extremely low-income” and “very low-income” (up to 50% of median income). Other low-income homeowners will receive partial subsidies for solar installations.

The California program was supported not only as a means by which to address affordability issues, but as a means to pursue multiple public policy goals simultaneously. One solar proponent told the CPUC that solar industries generated 8.5 million new jobs in 2006. Moreover, these economic benefits tend to be retained in the state. “Because manufacturing, installation and maintenance can only be performed on-site and in person, these jobs are by necessity local jobs. Moreover, many of these jobs, especially in the construction and manufacturing sectors, do not require a college degree, but are nonetheless relatively high wage.”

The pursuit of renewable energy within the low-income community as an affordability strategy offers the potential to generate advantages to the low-income population, to the environment, and to the State of Florida as a whole. The time has come for Florida to identify both the technical and economic potential for such strategies along with the action steps needed to achieve that potential.

Proposal #3: Energy Efficiency in Public and Assisted Housing

Consider amending Chapter 421, Florida Statutes, to provide both the authority and obligation of housing authorities to take such actions needed to ensure the efficient use of utilities (both water and energy) in public and assisted housing.

Summary of Proposal

Florida should explicitly provide both the authority and responsibility of local housing authorities to take those actions necessary to ensure the efficient use of utilities in public and assisted housing. Increasing the efficient use of utilities may involve housing authority investment in energy efficiency measures or may involve an investment by property owners in energy efficiency measures.

Background Information

While local public housing authorities (PHAs) may be primarily responsible for administering federal housing programs funded through the U.S. Department of Housing and Urban Development (HUD), they are created by the state. Their fundamental mission is articulated by Florida law.

According to the most recent data available from HUD, Florida's 99 PHAs administered more than 44,000 units of public housing statewide. In addition, the State's housing authorities administered more than 78,000 Section 8 certificates and vouchers. These 120,000 units of affordable housing represent a significant source of potential energy efficiency in support of home energy affordability.

Some progress is being made to bring energy efficiency to public and assisted housing, even though information specific to Florida is not available. Nationwide, the number of housing authorities with Energy Service Company (ESCO) contracts doubled between 2002 and 2006. One discouraging aspect of this growth is its failure to reach small PHAs (those with fewer than 250 units). While small PHAs comprise nearly two-thirds of PHAs nationwide (2,341), less than one-half of one percent of these small PHAs had entered into ESCO contracts. In contrast, of the 151 larger PHAs (those with 1,250 units or more), roughly one-third had entered into an ESCO contract.

Through an ESCO contract, a PHA retains a third party to invest in energy and water efficiency measures. The payment to that third party is based on a percentage of the savings. The greater the savings generated by the ESCO, the higher the payment the ESCO receives.

Housing authorities can pursue energy and water efficiency through several existing mechanisms. Local housing authorities may enter into energy service contracts, either individually or collectively with other housing authorities. Local housing authorities may offer special utility allowances to private landlords investing in energy efficiency measures, allowing those property owners to keep more of the HUD housing subsidy for rent and devote less of it to the payment of utility bills.

Proposal #4: Energy Efficiency and Florida Affordable Housing Production

Consider amending Chapter 420, Florida Statutes, to incorporate the energy efficiency and sustainability of housing as part of the continuing development and implementation of a Florida Affordable Housing Strategy.

Summary of Proposal

Florida should consider amending Chapter 420, Florida Statutes, to incorporate the pursuit of energy efficiency and sustainability in housing as an integral part of the development of “decent and affordable” housing under Florida’s Affordable Housing Strategy.

Background Information

Florida law provides that it is the “intent” of the Florida Legislature to “begin the process of articulating a state housing strategy that will carry the state towards the goal of assuring that by the year 2010 each Floridian shall have decent and affordable housing. This strategy must involve state, regional, and local governments working in partnership with communities and the private sector and must involve financial as well as regulatory commitment to accomplish this goal.”

In directing the development of an affordable housing strategy, the Legislature articulated the philosophy that “state housing programs shall promote the self-sufficiency and economic dignity of the people in this state. . .” In pursuing that objective, the Legislature endorsed both the production of new and substantially rehabilitated housing as well as the preservation of existing housing. The Department of Community Affairs was directed to work with the Florida Housing Finance Corporation (FHFC) to pursue achievement of the affordable housing goal. Indeed, in creating the Florida Housing Finance Corporation, the Legislature specifically directed the FHFC to develop a “business plan for the provision of affordable housing,” which, the Legislature said, “shall not be inconsistent with the affordable housing strategy.”

Despite the legislative commitment to “decent and affordable housing,” the legislation directing the promulgation of an affordable housing strategy pre-dates the time at which policymakers and other stakeholders fully understood the impact that the production of energy efficient and sustainable housing might have. As the state moves forward to meet this objective, the critical role played by the efficient use of energy and water in both the short-term and in the long-term provision of affordable housing is now well-recognized. Thus, the Florida statute regarding affordable housing should be explicitly amended to recognize the role of resource efficiency.

Proposal #5: Weatherization Incentives for Utilities

Consider statutory changes incentivizing utilities to include, as part of their conservation plans, an expanded menu of energy efficiency and conservation products and services authorized by the Weatherization Assistance Program (WAP) and targeted to low-income customers to be cost-recoverable.

Summary of Proposal

Florida should consider adopting legislation that will incentivizing the state's utilities to invest in energy efficiency programs directed toward low-income customers. The utility companies such be able to recover the cost of these programs, so long as the measures installed are authorized by the federal WAP. Other types of incentives applicable to energy utilities that are not investor-owned should be evaluated.

Background Information

Florida would benefit from additional utility investment in weatherization measures directed toward low-income households. Weatherization not only improves the affordability of home energy bills to low-income households, but also delivers substantial additional benefits to the participating utility. Low-income weatherization helps to reduce late payments, working capital needs, account write-offs, as well as, to improve overall payment patterns.

Florida needs increased utility investment in low-income weatherization measures. On average, the U. S. Department of Energy has provided less than \$2 million each year directed toward the weatherization of low-income homes. Looking at WAP funding alone, Florida weatherized only 559 housing units in 2007. An additional 1,412 homes were weatherized using a transfer of LIHEAP funding away from energy assistance to low-income weatherization (See Appendix B).

The recommended legislation would accomplish two tasks: (1) ensure utilities of cost-recovery for investments in low-income weatherization; and (2) allow incentive payments by the utility for weatherization work as authorized under federal WAP guidelines with utility dollars. Measures authorized under WAP, given the extensive multiple evaluations of WAP by Oak Ridge National Laboratory (ORNL) over the years, should be accepted as cost-effective energy efficiency measures for this purpose.

Proposal #6: Customer Donations

Require utilities, with exceptions, to provide flexible customer donation options for energy affordability assistance programs. Money will be deposited into a statewide energy affordability trust fund to supplement LIHEAP and other existing sources.

Summary of Proposal

Florida should consider requiring the state's utilities, with exceptions, to provide voluntary donation options through which customers might contribute to a statewide Energy Affordability Trust Fund. The structure of the donation option would be left to the discretion of each local utility, and the decision on whether or not to contribute would be left to each individual customer. With approved exceptions, each Florida utility, be it public, private or cooperative, would be required to offer a process through which its customers might make voluntary contributions.

Background Information

Collecting dollars through customer donations can be an important source of energy assistance for Florida's low- and moderate-income households. Funds collected from customers in this way generally provide private, charitable assistance to low- and moderate-income households that face the imminent loss of home energy service.

Utilities generally rely on bill check-off mechanisms to directly raise contributions from their customers. Bill check-off mechanisms can take one of many alternative forms:

- An "add-a-dollar" check-off, through which a single dollar is added to each monthly bill;
- A "round-up" mechanism, through which customer bills are rounded-up to the next dollar (or five dollar) level for each customer bill;
- A contribution "enrollment" process, through which a customer selects an amount (*e.g.*, \$2, \$5, \$10) to be added to each monthly bill.

Other contribution processes can be used as well. In some states, utilities solicit customers to donate refunds of temporary rate increases back to the statewide trust fund. Some Rural Electric Cooperatives provide a mechanism through which co-op members can donate their annual patronage capital credits back to the statewide trust fund.

One of the most successful fuel funds in the nation, Energy Outreach Colorado, was organized and is overseen by the Colorado Commission on Energy Assistance. Colorado has also adopted

legislation, that recommended above, which requires all electric utilities to offer a voluntary customer contribution mechanism. Appendix C provides an overview of the customer-contributed donations to low-income fuel assistance that utilities in the various states have generated through these voluntary check-off processes.

It is important to note that not all members of FLEAC endorse this proposal. Some utility representatives believe the proposal to be unnecessary. They urge that the existing voluntary pursuit of customer contributions by individual utilities is both adequate and appropriate. Other utilities suggested that communities with municipal utility systems, such as Havana and Moore Haven, are too small to merit a mandatory customer contribution process, given the administrative expenses and benefits that would be incurred in such small systems. Exemptions should be made for small systems and for those with existing voluntary consumer contribution programs.

Proposal #7: Universal Service Charge

Implement a permanent statewide universal service charge (USC) billed to all customers for funding payment assistance and energy efficiency programs.

Summary of Proposal

Florida should consider adopting a statewide Universal Service Charge (USC) to support basic rate affordability assistance, arrearage management, and energy efficiency programs. USC funds should be placed into an Energy Affordability Trust Fund and administered by the Department of Community Affairs through existing LIHEAP and WAP processes.

Background Information

Throughout the nation, 18 states have implemented USCs to support low-income home energy affordability services. USCs can take many forms.

- They can be volumetric charges (e.g., per kWh or per therm) or they can be fixed meters charges.
- Limits can be placed on the monthly charges, either on a dollar per customer basis or on a percentage of revenue basis.

Despite the many forms that USCs can take, some universal (or virtually universal) structural decisions are evident in the many states having USCs.

- Funds are collected from all customer classes, even if such classes carry differing funding responsibilities (e.g., Maryland imposes a different volumetric charge on residential than on non-residential customers; Illinois imposes a different flat fee on residential customers than on non-residential customers).
- USCs are collected statewide, or at a minimum, on a pay-to-play basis. In Utah, for example, while municipal and cooperative utilities may opt out of charging their customers for the fund, should they do so, neither may their customers access the benefits of the fund.

Most, though not all, states determine the funding level to be collected by the USC on an annual basis. DCA would develop an annual budget, and oversee program implementation and expenditures.

Through a competitive award system, additional federal LIHEAP funds are available for States that report non-federal dollars used for low-income customer energy assistance and conservation programs. Currently, Florida cannot compete effectively for these funds with States who have USCs. As of 2007, 20 States and the District of Columbia reported USCs. For example, USCs (System Benefit Funds) in 2007 generated \$942 million in California, \$314 million in Pennsylvania and \$293 million in Oklahoma. See Appendix C for details.

Universal Service Charges have been found to be an effective and efficient state supplement to affordability assistance dollars. They provide a stable, consistent funding source that can be used to develop effective long-term program responses involving energy assistance and energy efficiency initiatives. Consider, for example, that a Universal Service Charge of 25 cents per month in Florida would, given Florida's eight million residential accounts, raise \$24 million annually to distribute as rate affordability, weatherization, and energy education assistance.

FLEAC as an organization could not reach consensus on the USC. In particular, most utilities oppose an USC, urging that it is an additional "tax" and would create an unacceptable cross customer class subsidy. DCA, as well as service providers and one utility company, support the USC as a proven mechanism through which to generate additional fuel assistance.

Proposal #8: Abandoned Utility Funds

Consider legislation earmarking escheated (abandoned) utility dollars for low-income assistance and energy efficiency programs.

Summary of Proposal

Florida should consider earmarking escheated utility dollars to supplement energy affordability assistance and energy efficiency programs rather than escheating to the state's general treasury. These utility dollars would consist of items such as unclaimed utility rate refunds, unclaimed utility deposits, and other customer funds held by utilities but not claimed within the statutory holding period. The escheated utility dollars would be deposited into an Energy Affordability Trust Fund administered by DCA.

Background Information

One primary source of unclaimed utility funds in Florida involves cash security deposits that go unclaimed once a customer moves. The application of typical utility creditworthiness criteria yields a disproportionate incidence of deposits within the low-income population. Low-income customers are frequently unable to meet credit criteria such as owning his/her home or having positive credit references from a commercial establishment. As a result, these customers are more often required to post a cash security deposit. Also, the abandonment of utility deposits is primarily caused by households moving from their current home and failing to provide the utility a forwarding address. There is little question those low-income households overall has a much higher mobility than do households in general.

The conclusion follows that not only will low-income households more likely be called upon to provide cash security deposits, but low-income households will also more likely be among those households that are likely to lose their deposits because of their mobility. It is reasonable to earmark those funds for a use that would benefit that class of customers most likely to have paid the funds in the first place.

Proposal #9: Additional Funding Sources

Authorize feasibility study of a mechanism to identify and aggregate “other” funding sources for low-income energy assistance and energy efficiency programs.

Summary of Proposal

Florida should consider authorizing the Department of Community Affairs, in collaboration with appropriate state agencies, to develop a feasibility study of additional funding sources for low-income assistance and energy efficiency programs. The authorized study should include a review of funding sources being used by other states for this purpose. The resulting study should include proposed legislation necessary for the development of those stable, sustainable funding sources identified by the feasibility study, and be submitted to the Legislature prior to the 2010 Legislative Session.

Background Information

The sustainability of funding sources used to support low-income energy assistance and energy efficiency programs is often as important to the success of resulting program initiatives as the level of funding that is offered to support such programs. The sustainability of funding is needed to provide both the technological and staff infrastructure necessary to deliver low-income services.

The delivery of low-income weatherization services is one example of the need for stable, sustainable funding sources. Unstable funding creates an inherent problem for the state WAP network. When receiving increased resources, the State’s WAP agencies require time to hire and train technical staff specializing in home diagnostic testing procedures and conducting weatherization audits. It is not an effective use of WAP agency resources to recruit and train specialized weatherization staff for a single program year.

Florida needs to specifically consider new ways through which to develop stable, sustainable funding sources for energy assistance and energy efficiency programs. Sources might involve:

- Neither DCA nor FLEAC takes a position on the appropriateness of off-shore drilling for natural gas or oil. However, if drilling does occur, the potential for support to low-income energy programs should be evaluated further. Turning to the State’s resource extraction industries as a source of additional low-income energy assistance and energy efficiency funding. Given the role of Florida’s oil and natural gas extraction industry in the overall energy industry, for example, it may be reasonable

for such energy industry participants to provide some level of support of low-income energy assistance and energy efficiency measures.

- Tax incentives to the manufacturers, installers, and sellers of building materials and services to encourage them to support of low-income weatherization.

These examples are intended to illustrate the breadth of potential stakeholders affected by low-income energy assistance and energy efficiency initiatives beyond simply the traditional utility industry. For Florida not only to succeed, but to excel, in responding to the affordability needs of its customers, the State must pursue stable, sustainable funding sources.

Proposal #10: State Energy Affordability Trust Fund

Authorize creation of a state energy affordability trust fund into which all new sources of funding would be placed for energy assistance, weatherization, and energy conservation education initiatives for low-income customers.

Summary of Proposal

Florida should create a state Energy Affordability Trust Fund charged with receiving and distributing all new sources of funding for low-income energy assistance, weatherization, and energy conservation education initiatives. Monies deposited into the Trust Fund would be held in trust for the exclusive use for the designated purposes. The distribution of monies from the Trust Fund would utilize existing LIHEAP and WAP processes.

Background Information

A single statewide Energy Affordability Trust Fund offers substantial advantages in administration, planning, implementation, and possibly fundraising to the State of Florida. A Trust Fund could ensure that dollars collected for energy affordability assistance would be preserved and used for such assistance. Concerns by stakeholders that funds raised for home energy affordability assistance will be diverted to other uses during times of fiscal constraint could be addressed by imposing trust responsibilities on the administrators of these monies.

States such as Wisconsin (fuel assistance) and Vermont (energy efficiency) have found that aggregating its dollars into a single fund eliminates the “silos” that prevent a mixing and matching of funds to leverage the greatest possible use. The mixing and matching allows the Trust Fund to determine the most effective and efficient service, or combination of services, to address affordability problems on an individual and aggregate basis.

SECTION 3:

FLORIDA ENERGY COMMISSION RECOMMENDATIONS

In their December 31, 2007, recommendations to the Florida Legislature, the Florida Energy Commission (FEC) published several proposals that implicate the interests of low-income Florida residents in affordable home energy. The discussion below identifies those recommendations that the Department of Community Affairs views as potentially affecting the affordability of home energy to low-income customers and briefly identifies the low-income interest within the recommendation. *These comments do not reflect review or comments of FLEAC.*

FEC Recommendation #21: Cost-Benefit Tests for DSM Programs

Florida PSC and Florida Energy Commission to evaluate use of the current cost-effectiveness standard (Ratepayer Impact Measure) for demand side management programs.

DCA endorses an evaluation of the appropriate cost-effectiveness standard to apply to utility investments in energy efficiency and demand management strategies. The DOE, however, through the federal Weatherization Assistance Program (WAP), has developed independent tests of cost-effectiveness for energy efficiency measures implemented through WAP. The cost-effectiveness of WAP has been established through multiple evaluations of the program by Oak Ridge National Laboratory (ORNL), one of DOE's national energy laboratories.

To the extent that Florida utilities invest in low-income measures that are authorized by WAP, it would be duplicative to require such utilities to again establish the cost-effectiveness of such investments. As discussed in Section 2, in Proposal #5, Florida utilities should not only be assured of cost-recovery for investments in low-income measures that are otherwise authorized by WAP, but should be provided incentives to make such investments.

FEC Recommendation #26: Guaranteed Energy Performance Savings Contracts

Encourage use by state agencies of Guaranteed Energy Performance Savings Contracts as a mechanism for investing in energy efficiency measures.

DCA endorses the use of Guaranteed Energy Performance Savings Contracts as a mechanism to generate investment in energy efficiency measures. The use of Energy Service Companies (ESCOs) is a proven method for providing low-risk financing of energy efficiency measures. Indeed, as discussed in Section 2, Proposal #3, the use of ESCOs should not only be promoted for state buildings, but also specific efforts should be pursued by the State to advance the use of

ESCOs in the public and private multi-family housing market, including public housing authorities, as well.

FEC Recommendation #33: Programs to Assist Low-Income Energy Consumers

Increase the availability of assistance through the Low-Income Home Energy Assistance Program (LIHEAP) and Weatherization Assistance Program (WAP).

DCA endorses all efforts to increase the availability of assistance through the LIHEAP and WAP, but also recognizes the inherent limitations of those programs. By federal statute, for example, LIHEAP is limited to the payment of heating and cooling costs, not to total home energy bills. In addition, federal WAP funding reaches fewer than 500 housing units per year. Even if existing WAP funding were tripled, in other words, WAP would be able to treat fewer than 1,500 low-income housing units each year statewide. Similarly, due to federal funding constraints, LIHEAP serves fewer than 5% of the eligible population.

While the expansion of LIHEAP and WAP utilizing available federal funding is appropriate, it would still be inadequate to serve the energy affordability needs of low-income Florida households. To be able to expand these programs, Florida should consider acting upon the recommendations presented in this report to generate additional funding.

FEC Recommendation #37: Assessment of Florida Renewable Energy Status

Florida Department of Environmental Protection and Florida PSC to develop a current and comprehensive assessment of renewable energy opportunities.

DCA endorses the expansion of public and private investment in achieving Florida's potential for renewable energy opportunities. As discussed in Section 2, Proposal #8, Florida should build on the Energy Office's recently released study of renewable energy potential in Florida to develop a comprehensive assessment specifically of the technical and economic potential for the role of renewable energy in meeting the needs of high energy burden households in the State. Investments in renewable energy for low-income customers generate particular benefits for the State.

FEC Recommendation #82: Incentives and Regulatory Reform

Florida PSC to review rate regulation and utility practices and propose incentives or differing regulatory mechanisms to encourage the adoption of energy efficient programs and practices by Florida utilities.

DCA endorses the use of incentive regulation to promote utility investment in energy efficient programs and practices. As discussed in Section 2, Proposal #6, Florida utilities should be ensured of cost recovery, as well as receive affirmative incentives, for appropriate investments in low-income efficiency.

DCA believes, however, that the appropriate *delivery mechanism* for low-income energy efficiency measures involves the use of a centralized administrator. As discussed in Section 2, Proposal #10, a centralized administrator can mix and match federal, state, local and private funding sources so as to leverage the greatest total investment for each utility dollar devoted to low-income efficiency. In contrast, utilities have neither the expertise nor the institutional structure to combine energy, housing, economic development and other public and private resources to maximize the total investment in low-income efficiency.

FEC Recommendation #83: Dedicated Fund Source

Florida Legislature should establish a revenue source funded by assessments, fees, or some other permanent mechanism, along with a process for allocating the collected monies.

Florida should consider establishing a permanent funding source for low-income energy assistance (including rate affordability and energy efficiency initiatives). As discussed in Section 2, Proposal #7, a Universal Service Charge to fund low-income energy affordability initiatives is appropriate.

FEC Recommendation #84: Public Benefits Fund

Florida Energy Commission and Florida PSC to evaluate establishment of Public Benefits Fund (PBF).

Florida should establish a Public Benefits Fund (PBF). Referred to as a Universal Service Charge in Section 2, Proposal #7, such a charge should be used to support not only energy efficiency investments, but low-income energy affordability assistance as well.

APPENDIX A: FLORIDA ENERGY AFFORDABILITY COALITION (FLEAC)

Charter Members

- Florida Council on Aging
- Florida Association for Community Action
- Florida Association of Area Agencies on Aging
- Florida Department of Community Affairs
- Florida Department of Elder Affairs
- Florida Electric Cooperatives Association
- Florida Municipal Electric Association
- Florida Power & Light Company
- Florida Public Service Commission
- Gulf Power Company
- Progress Energy Florida
- The Salvation Army
- Tampa Electric Company

APPENDIX B: FLORIDA LIHEAP AND WAP FUNDING HISTORY

Funding Type or Source	Low-Income Home Energy Assistance Program (LIHEAP) Allocation Funding By Federal Fiscal Year (FFY)			
	FFY 2006	FFY 2007	FFY 2008	FFY 2009 /a/
HHS/b/ – LIHEAP BASE FORMULA	\$26,527,472	\$26,527,472	\$27,068,324	\$95,012,713
HHS – LIHEAP CONTINGENCY	\$255,805	\$1,442,486	\$3,337,918	\$6,661,874
HHS – LIHEAP OTHER /c/	\$23,006,901	\$150,010	\$0	\$186,158
TOTAL	\$49,790,178	\$28,119,968	\$30,406,242	\$101,860,745
	Weatherization Assistance Program (WAP)			
U. S. DEPT. OF ENERGY	\$2,592,639 /d/	\$1,752,523	\$1,948,403	\$4,098,801
TRANSFER FROM HHS LIHEAP	\$7,309,989	\$3,859,747	\$4,401,119	\$15,022,420
TOTAL - Combined WAP/LIHEAP	\$9,902,628	\$5,612,270	\$6,349,522	\$19,121,221

NOTES:

/a / Increase due to Federal FY 2009 Special Congressional appropriation as part of economic stimulus package.

/b/ U. S. Department of Health and Human Services.

/c/ FFY 2006 redistribution of unspent prior year funds from all states and Special Congressional Appropriations due to Hurricane Katrina. Federal FY 2007, a competitive award for leveraging other resources.

/d/ Increased federal funding activated an allocation formula that favored hot climate states thus increasing the funding amount to Florida.

APPENDIX C: STATE SUPPLEMENTS TO ENERGY ASSISTANCE/ENERGY EFFICIENCY

Compiled by: the LIHEAP Clearinghouse (for program year 2007)

State	State/Local	System Benefit Funds		Fuel Funds/Church/ Community	Utility		Bulk Fuel Discount	Misc	Total
		Rate Assistance	Energy Efficiency		Rate Assistance	Energy Efficiency			
AL					\$1,700,000				\$1,700,000
AK	\$6,946,569								\$6,946,569
AZ	\$5,031,110			\$2,290,744	\$17,101,627	\$2,585,132			\$27,008,613
AR	\$91,427			\$4,346,837					\$4,438,264
CA	\$2,057,755	\$813,268,317	\$128,893,325	\$12,466,667				\$5,852,806	\$962,538,870
CO	\$7,225,000			\$5,809,368		\$2,382,000			\$15,416,368
CT				\$1,109,000	\$14,258,342	\$6,524,648	\$1,643,628		\$23,535,618
DE	\$500,000	\$1,831,959		\$574,788			\$176,106		\$3,082,853
DC		\$4,100,353	\$3,545,000		\$1,800,000				\$9,445,353
FL				\$11,637,110		\$105,720			\$11,742,830
GA		\$5,300,000		\$3,055,000	\$15,000,000	\$1,430,000			\$24,785,000
ID				\$489,929	\$9,165	\$1,404,423			\$1,903,517
IL	\$4,000,000	\$65,000,000	\$7,000,000	\$3,033,751	\$20,867,803	\$1,023,497			\$100,925,051
IN	\$8,763,284			\$3,829,716	\$10,317,824	\$1,055,992	\$21,414	\$38,074	\$24,026,304
IA	\$278,708			\$788,958		\$4,846,842			\$5,914,508
KS				\$333,333					\$333,333
KY	\$161,942			\$969,871	\$1,203,669	\$78,680			\$2,414,162
LA				\$4,268,226	\$615,205	\$744,010			\$5,627,441

APPENDIX C: STATE SUPPLEMENTS TO ENERGY ASSISTANCE/ENERGY EFFICIENCY

Compiled by: the LIHEAP Clearinghouse (for program year 2007)

State	State/Local	System Benefit Funds		Fuel Funds/Church/ Community	Utility		Bulk Fuel Discount	Misc	Total
		Rate Assistance	Energy Efficiency		Rate Assistance	Energy Efficiency			
ME	\$905,629	\$8,102,838	\$1,966,247	\$68,977			\$1,090,029	\$938,949	\$13,072,669
MD	\$2,106,007	\$51,701,946	\$1,000,000	\$9,110,816	\$6,503,485	\$523,132	\$523,930	\$1,608,411	\$73,077,727
MA	\$15,000,000	\$58,325,694	\$21,965,000	\$1,030,079			\$4,059,390		\$100,380,163
MI		\$72,000,000	\$29,500,000	\$8,473,381	\$24,314,810				\$134,288,191
MN	\$7,662,074			\$3,869,158	\$6,778,999	\$6,401,925	\$38,943	\$202,370	\$24,953,469
MS				\$539,724	\$474,398			\$843,729	\$1,857,851
MO	\$6,300,000			\$15,615,197	\$600,000	\$1,900,000			\$24,415,197
MT	\$412,594	\$3,643,582	\$1,538,678	\$1,482,869	\$58,327	\$63,519		\$36,412	\$7,235,981
NE				\$600,000					\$600,000
NV	\$371,824	\$14,857,643	\$3,109,148	\$784,792		\$1,827,359			\$20,950,766
NH	\$4,104,704	\$11,518,157	\$2,117,349	\$803,357	\$1,137,860		\$349,122		\$20,030,549
NJ	\$2,012,000	\$198,155,275	\$21,390,128	\$311,358	\$20,462,520				\$242,331,281
NM	\$6,800,000			\$870,962			\$543		\$7,671,505
NY	\$104,993,710		\$9,323,561	\$1,560,740	\$35,000,000			\$17,911,425	\$168,789,436
NC	\$350,350			\$4,951,919	\$146,050				\$5,448,319
OH		\$283,903,337	\$9,415,360		\$5,320,717				\$298,639,414
OK					\$5,543,149				\$5,543,149
OR		\$11,800,000	\$11,233,473	\$17,610,397	\$107,228			\$2,931,211	\$43,682,309
PA	\$1,207,000	\$289,686,116	\$24,465,085	\$9,381,368	\$60,552,851				\$385,292,420

APPENDIX C: STATE SUPPLEMENTS TO ENERGY ASSISTANCE/ENERGY EFFICIENCY

Compiled by: the LIHEAP Clearinghouse (for program year 2007)

State	State/Local	System Benefit Funds		Fuel Funds/Church/ Community	Utility		Bulk Fuel Discount	Misc	Total
		Rate Assistance	Energy Efficiency		Rate Assistance	Energy Efficiency			
RI			\$2,684,274	\$786,222	\$7,599,040		\$79,670		\$11,149,206
SC				\$930,000		\$50,000			\$980,000
SD	\$958,160			\$262,820			\$6,980	\$141,700	\$1,369,660
TN				\$160,000					\$160,000
TX		\$30,000,000		\$5,607,333		\$10,200,000			\$45,807,333
UT					\$2,275,928				\$2,275,928
VT	\$6,750,052		\$2,100,000	\$331,921	\$1,000,000	\$50,207	\$542,611	\$18,525	\$10,793,316
VA	\$750,000			\$2,078,290		\$25,000			\$2,853,290
WA	\$5,550,720			\$13,495,089	\$15,968,154	\$4,875,513		\$759,692	\$40,649,168
WV	\$3,000,000								\$3,000,000
WI	\$7,823,326	\$21,957,525	\$25,723,492	\$812,412	\$6,115,351	\$400,908		\$355,748	\$63,188,762
WY	\$5,995,000								\$5,995,000
Totals	\$213,113,945	\$1,939,852,742	\$312,270,120	\$156,532,479	\$282,832,502	\$48,498,507	\$8,532,366	\$31,639,052	\$2,992,271,713

APPENDIX D: ENERGY AFFORDABILITY PROPOSALS - SUMMARY MATRIX

Reference	Legislative Proposals	Additional Considerations
1	Consider adopting legislation requiring all State agencies that provide public subsidies for the development of new or substantially rehabilitated affordable housing units to include in their selection criteria preference for proposals that include energy standards that exceed those in the Florida Building Code in effect at the time.	Such energy standards might include Energy Star rating system or Florida Green Building Coalition certification and renewable energy sources where feasible.
2	Consider adopting legislation directing the Florida Energy Office, in collaboration with Florida Department of Community Affairs, Florida Solar Energy Center, and other public and private partners, to identify the potential for the use of renewable energy initiatives for low-income households and to develop an implementation plan.	One continuing impediment to the continuing development of renewable energy is an authoritative articulation of what is possible (i.e., technical potential) as well as what is cost-effective (i.e., economic potential). This section provides for a plan identify the opportunities, if any, and the mechanisms needed to realize those opportunities.
3	Consider amending Chapter 421, Florida Statutes, to provide both the authority and obligation of housing authorities to take such actions needed to ensure the efficient use of utilities (both water and energy) in public and assisted housing.	These amendments should, for example, both authorize and require housing authorities to consider the efficient use of utilities as part of the affordability and habitability of the home; to authorize housing authorities to undertake contracts providing for improved energy and water efficiency, including co-generation where cost-effective; to promulgate energy efficient utility allowances; and to enter into both public and private partnerships as may be deemed necessary to upgrade the efficient use of utilities.
4	Consider amending Chapter 420, Florida Statutes to incorporate the energy efficiency and sustainability of housing as part of the continuing development and implementation of a Florida Affordable Housing Strategy.	Although FHFC already require energy efficiency standards in many of their programs, this would add extra incentive and authority for them to think creatively about ways to increase housing energy efficiency.
5	Consider statutory changes incentivizing utilities to include, as part of their conservation plans, an expanded menu of energy efficiency and conservation products and services authorized by the Weatherization Assistance Program (WAP) and targeted to low-income customers to be cost-recoverable.	Utility companies need the ability to recover costs, including lost revenue and lost investment opportunity. Some state legislatures provide matching tax credits for dollars provided in rate affordability assistance. The tax credits are provided as an incentive for the state's utilities to increase their funding of low-income affordability assistance. However, tax credits will not benefit coops or municipals and therefore other incentives may be

		<p>appropriate.</p> <p>In some states, those utilities claiming credits under the program agreed to devote those credits to supplement low-income funding.</p> <p>Department of Energy, Weatherization Assistance Program federal guidelines - Citation 10 CFR Part 440</p>
6	Require utilities, with exceptions, to provide flexible customer donation options for energy affordability assistance programs. Money will be deposited into a statewide energy affordability trust fund to supplement LIHEAP and other existing sources.	<p>Mandate all energy utility providers to offer customer donation options. Customers may participate voluntarily. Utility options may include one or more of the following: check-off, round-up, pledging and opt-in/opt-out choices or other feasible options as proposed.</p> <p>Donations will be targeted for disbursement to customers of the same utility.</p>
7	Implement a permanent statewide universal service charge (USC) billed to all customers for funding payment assistance and energy efficiency programs.	<p>Current funding fluctuations in Low Income Home Energy Assistance Program (LIHEAP) and Weatherization Assistance Program (WAP) create extreme hardships in the state's ability to deliver consistent quality services. This would provide a more reliable source of funding not dependent on federal appropriations.</p> <p>Funding will be used for existing LIHEAP and WAP.</p>
8	Consider legislation earmarking escheated (abandoned) utility dollars for low-income assistance and energy efficiency programs.	Escheated funds should include the following abandoned utility types: rate refunds, deposits, etc. It is estimated that about \$2 million a year is available. Currently, escheated funds are directed to the State General Education Fund.
9	Authorize feasibility study of a mechanism to identify and aggregate "other" funding sources for low-income assistance and energy efficiency programs.	<p>While FLEAC does not necessarily endorse any of the following, some funding sources may include proceeds from:</p> <ul style="list-style-type: none"> - Energy production fees (i.e., offshore oil drilling) - Tax deductible corporate contributions <p>Other resources.</p>
10	Authorize creation of a state energy affordability trust fund into which all new sources of funding would be placed for energy assistance, weatherization, and energy conservation education initiatives for low-income customers.	All money in the trust fund will be specifically designated for these purposes only.