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IN THIS ISSUE

Time-of-Use Rates can help supplement uncertain future funding of federal LIHEAP benefits.

NOTE TO READERS

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While future funding of federal LIHEAP benefits is uncertain, utility time-of-use rate programs can provide ongoing cost-based assistance.

In 2025, the ability of low-income households to access federal fuel assistance to help pay unaffordable home energy bills faces considerable uncertainty. As utilities and advocates seek to come to grips with that uncertainty, a promotion of time-of-use rates has emerged as one way to continue to deliver at least some bill reductions to income-eligible households in Wisconsin.

There are three current threats to LIHEAP. First, in April 2025, the President eliminated the Division of Energy Assistance, the office within the U.S. Department of Health and Human Services (HHS) that oversees LIHEAP, and fired the entire staff. Even if LIHEAP is funded, in other words, with limited staff to oversee LIHEAP and disburse funds, LIHEAP is facing unprecedented uncertainty. States are being expected to run their programs with no federal training or guidance and delays in funding that make it difficult to plan for the program.

Second, LIHEAP funding is, at best, uncertain. While a Senate committee voted to fund LIHEAP in July 2025, the President's budget submitted to Congress proposed to completely eliminate the program. As of August, the House of Representatives has not yet taken action and is in recess until September.

Third, in addition to the threat to LIHEAP, the President's FY2026 budget also calls for the complete elimination of the Community Services Block Grant ("CSBG") program.[1] Local community action agencies ("CAAs") rely upon CSBG to fund the administration of energy assistance through LIHEAP. Even if LIHEAP is funded, the elimination of CSBG would severely limit, if not effectively eliminate, the ability of CAAs to deliver such assistance.[2] The Wisconsin CSBG State Plan (draft) for FY2026-2027 explains the connection between CSBG and LIHEAP:

> Wisconsin Department of Administration (DOA) administers the federally funded Low Income Home Energy Assistance Program (LIHEAP) and the Public Benefits Energy Assistance Program, which is funded through fixed charges on electric utility customers. This umbrella coverage is named Wisconsin Home Energy Assistance Program (WHEAP). *Five CSBG eligible entities operate LIHEAP.* LIHEAP and its related services help approximately 230,000 Wisconsin households annually. In addition to regular heating and electric assistance. . . (emphasis added)

It is, in other words, not merely funding cuts to LIHEAP that threaten future participation in energy assistance programs. It would not be accurate to say with any kind of certainty that LIHEAP will be ended, or even cut. However, given the great uncertainty in LIHEAP and CSBG funding in each year, let alone the coming year, the presumption that LIHEAP benefits will be available in the future at the same level it is available today is unreasonable.

WPL's Time-of-Use Rate Proposal.

In an effort to continue to deliver bill reductions to income-qualified households, even in the face of the uncertainties facing LIHEAP, Wisconsin Power and Light (WPL) (Alliant) proposed an innovative time-of-use rate program for its low-income customers.

In its 2025 rate case, WPL witness Stober explained its program proposal as follows:

> WPL is proposing to automatically switch all WHEAP-approved customers to TOU rates who would have projected savings of at least $100. WPL anticipates that this will affect approximately 1,500 customers and would achieve average annual savings of $111 per customer.WPL will notify customers of the better rate option, based on the customers' current usage levels, and give the customers a chance to opt out before WPL switches the customer to the more financially advantageous rate.

Ms. Stober further explained that the Company's "current proposal is to switch WHEAP customers who are projected to save at least $100 annually. The $100 threshold limits the volatility of small changes in usage impacting savings.

Low-income intervenors endorsed this proposal. "The extension of TOU rates to low- and moderate-income customers when such rates would be expected to generate a bill reduction is a commendable effort on the part of WPL to address bills that would otherwise exceed a cus-

[1] National Council on Nonprofits (May 2, 2025). President Trump Proposes to Slash Funding for Domestic Programs in FY2026, available at https://www.councilofnonprofits.org/articles/president-trump-proposes-slash-funding-domestic-programs-fy2026.

[2] See, Libby Perl (January 23, 2018). Community Services Block Grants (CSBG): Background and Funding, Congressional Research Service, available at https://www.warnock.senate.gov/wp-content/uploads/2021/05/08-Community-Services-Block-Grants-CSBG.pdf..

tomer's ability to pay. It should be approved with the modest modifications . . . Generating bill reductions through enrollment of low- and moderate-income customers in TOU rates would reduce bills without need to access either federal dollars or ratepayer dollars."

According to Blacks for Political and Social Action of Dane County, "while an average TOU bill savings of $105, and a median bill savings of $91, would not, standing alone, reduce bills to an affordable level, such savings provide a meaningful reduction in bill burdens. For a household with annual income of $10,000, the average TOU bill reduction of $105 would represent a reduction in electric burdens of 1.1%. For a household with annual income of $15,000, the TOU savings would reduce burdens by 0.7%."

BPSA said that "Even though this reduction in burdens would not, unto itself, make the difference between affordability and unaffordability, it would make a meaningful contribution."

The BPSA Rationale.

Experience has taught that, particularly given the low participation rates of low-income customers in the federal Low-Income Home Energy Assistance Program (LIHEAP), there is frequently a desire to increase that participation rate. There is an unstated assumption behind this desire that if additional outreach could increase LIHEAP participation, there would be a corresponding increase in the amount of federal assistance that would be applied against WPL low-income accounts.

That unstated assumption, however, is wrong. LIHEAP is what is known as a federal "block grant" program. Under a block grant program, states are allocated a prescribed amount of a federal appropriation. Each state's LIHEAP block grant allocation is based on a complex federal formula.[3] That formula does not take into account LIHEAP participation rates in a particular state. When a state's LIHEAP block grant funding is exhausted, the state must stop distributing further LIHEAP benefits. Increasing LIHEAP participation by enhanced outreach, in other words, would result in the same LIHEAP allocation being distributed over more participants. As a result, the State would need to either reduce the average grant per participant, or terminate additional enrollment earlier than it might otherwise have planned. Under either scenario, total LIHEAP dollars received by low-income customers would not expand.

It appears that the state program (called WHEAP) –which combines LIHEAP and state Public Benefit program funding—operates under a similar restriction. According to the Wisconsin Division of Energy, Housing and Community Resources website, "WHEAP benefits are not guaranteed to eligible households. When funds have been exhausted for a program year, there are no benefits issued to households regardless of eligibility."[4]

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[3] The LIHEAP statute provides for two types of program funding: regular funds—sometimes referred to as block grant funds—and emergency contingency funds. Regular funds are allotted to states on the basis of the LIHEAP statutory formula, which was enacted as part of the Human Services Reauthorization Act of 1984 (P.L. 98-558). The formula section is codified at 42 U.S.C. §8623.

[4] https://energyandhousing.wi.gov/Pages/AgencyResources/energy-assistance.aspx.

BPSA's Proposed Modifications to the WPL Proposal.

Even while endorsing the TOU proposal, BPSA recommended three modest changes to the program.

First, BPSA recommended that WPL expand the customer base to which it provides the opt-out move to TOU rates to customers with an expected savings of $90 (rather than $100). As WPL witness Stober testified, the median bill savings for low-income customers is expected to be $91. What this means is that half of all customers would have savings greater than $91. Having the other half be less than $91, however, does not mean that there is ***no*** bill savings. It simply means that bill savings are less than $91.

This recommendation was based on the observation that every additional low- and moderate-income customer automatically enrolled into TOU rates in this manner will generate more than the expense reductions commonly seen as occurring through the load control. Over time, it will ***also*** generate reductions in the cost of the WPL's existing Arrearage Management Program (AMP). While bill reductions will not reduce arrears subject to forgiveness for customers already on the AMP, it ***will*** reduce arrears subject to forgiveness for customers who enroll in the AMP in the future.

Just as arrears represent dollars of bills at the margin –if someone has an annual bill of $1,400 and an arrears of $600, it is bill dollars $800 through $1,400 which have gone unpaid—the dollars of bill reduction occur at the margin as well (if someone has an annual bill of $1,400 reduced by $100 through TOU, it is bill dollars $1,300 through $1,400 that have been reduced). Data for the most recent 24 months available, BPSA said, shows the number of customers who have been enrolled in the AMP (by month) and the average arrears which they bring into the program at the time of enrollment. The size of arrears for these new program enrollees shows that, had those customers been able to reduce their bills before being enrolled in AMP, the bill reduction would have reduced the arrears they brought into AMP. This bill reduction would, as a result, have resulted in direct financial benefits to all other ratepayers who are paying the cost of the AMP arrearage forgiveness.

In addition to reducing the costs of future AMP enrollees, reducing the bills of existing AMP participants would make it more likely that those customers would be able to make payments toward their current bills and, as a result, earn their AMP forgiveness.

The second recommended modification was that, recognizing the additional benefit to all other ratepayers from enrolling as many customers as possible in TOU rates, when such enrollment is expected to reduce annual bills to the TOU participants, WPL should implement the guarantee of bill reduction that it proposed in its last rate case.

In making this recommendation, BPSA "recognized" that the proposed guaranteed bill reduction was not approved by the Commission in WPL's last rate case. However, in reaching that decision, the Commission was not presented with the additional benefit to WPL (and to all WPL customers) arising from the use of TOU rates not merely as a load control strategy, but also as an arrearage reduction strategy.

This second recommendation, to implement the guarantee previously proposed by WPL, was based on a weighing of risks and benefits. The risk to WPL is that it would guarantee savings that might not arise. That risk, however, is small. According to WPL witness Stober, "After a year, about 97 percent of customers projected to achieve savings through WPL's data modeling did in fact realize savings."

Moreover, the risk is not a risk of paying the entire median $90 in bill reduction, but rather only in paying the difference between actual bill reductions and that $90 median. In contrast, the benefits are considerable. To the extent that a customer may not enroll in TOU rates in the absence of the guarantee –and it is entirely understandable that a low- or moderate-income customer would choose not to take on that risk if they are already having difficulty in paying their bills—the Company loses the *entire* benefit of the arrearage reduction that would have arisen from the TOU bill reduction.

BPSA's third recommendation was to make program eligibility for the low-income TOU rate initiative consistent with the Company's AMP. Not only should customers who are receiving benefits through the AMP-qualifying programs be incorporated into the TOU initiative, but in addition, the TOU initiative should be extended to include customers who are currently receiving WHEAP and/or LIHEAP as well as customers who have, within the past two program years, received WHEAP and/or LIHEAP. Doing so responds to the future uncertainties in LIHEAP funding. It also responds to the fact that LIHEAP is not a year-round program. Not only is there a limited period within which people can apply for LIHEAP, in the event that LIHEAP funding is depleted before the application period ends, the program stops taking applications.

Summary

Public utilities, along with low-income advocates, operate today in an era of considerable uncertainty about the future availability of LIHEAP funding to help pay low-income utility bills. Moreover, even if LIHEAP funding remains constant, there is, or should be, a caution not to assume that enhanced LIHEAP outreach will necessarily result in increased LIHEAP participation. Enhanced outreach will certainly not result in an increase in LIHEAP funding for low-income customers. Providing assistance to low- and moderate-income customers, therefore, must find innovative ways to generate or access new dollars or new ways to reduce bills. The TOU rate proposal advanced by Alliant in Wisconsin is one such innovative proposal.

Persons interested in obtaining more information about assessing the issues associated with Wisconsin's low-income Time-of-Use pilot can write:

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Fisher, Sheehan and Colton, Public Finance and General Economics (FSC) provides economic, financial and regulatory consulting. The areas in which *FSC* has worked include energy law and economics, fair housing, local planning and zoning, energy efficiency planning, community economic development, poverty, regulatory economics, and public welfare policy.