



April 2010

The Honorable Michael J. Madigan
Speaker of the House
300 State House
Springfield, IL 62706

The Honorable John J. Cullerton
Senate President
327 State House
Springfield, IL 62706

The Honorable Tom Cross
House Minority Leader
316 State House
Springfield, IL 62706

The Honorable Christine Radogno
Senate Minority Leader
309A State House
Springfield, IL 62706

Mr. Mark Mahoney
Clerk of the House of Representatives
402 State House
Springfield, IL 62706

Ms. Jillayne Rock
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Pursuant to the Executive Reorganization Implementation Act (15 ILCS 15), please allow this to serve as the six month and annual required report issued to address the transfer and consolidation of the Low Income Home Energy Assistance Program (LIHEAP) and the Illinois Home Weatherization Assistance Program (IHWAP) to the Department of Commerce and Economic Opportunity (DCEO), resulting from Executive Order Number 2009-2.

Funding*

The following funding levels resulted from the consolidation:

| Weatherization | FY09 Approp to DCEO | FY09 DCEO Expenditures | FY10 Approp | FY11 Introduced Approp |
|--|----------------------------|-------------------------------|-------------------------|-------------------------------|
| Energy Administration Fund (0737), Department of Energy (DOE) | \$10,050,272.00 | \$5,292,003.85 | \$27,472,500.00 | \$27,982,100.00 |
| Energy Administration Fund (0737), Department of Energy (DOE) – ARRA | \$125,000,000.00 | | \$250,000,000.00 | \$250,000,000.00 |
| | \$135,050,272.00 | \$5,292,003.85 | \$277,472,500.00 | \$277,982,100.00 |

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| Low Income Home Energy Assistance Program | FY09 Approp to DCEO | FY09 DCEO Expenditures | FY 10 Approp | FY11 Introduced Approp |
|---|----------------------------|-------------------------------|-------------------------|-------------------------------|
| Low Income Home Energy Assistance Block Grant Fund (0870) – Health & Human Services (HHS) | \$168,299,067.00 | \$83,180,998.64 | \$308,378,000.00 | \$309,431,300.00 |
| Supplemental Low Income Home Energy Assistance Fund (0550) | \$26,151,533.00 | \$12,172,935.83 | \$110,685,900.00 | \$110,685,900.00 |
| | \$194,450,600.00 | \$95,353,934.47 | \$419,063,900.00 | \$420,117,200.00 |

* As of February 28, 2010.

Effects

On March 24, 2009, the LIHEAP and IHWAP programs were transferred and consolidated into DCEO from the Department of Healthcare and Family Services (HFS).

Low Income Home Energy Assistance Program (LIHEAP)

In accordance with Executive Order Number 2009-2, DCEO is the designated agency to administer the LIHEAP program in conjunction with thirty-five Local Administering Agencies (LAAs) located throughout the state. In addition, DCEO is responsible for all programmatic and fiscal oversight, including all LIHEAP policy development, grant management and monitoring, in accordance with the Illinois Energy Assistance Act and regulations of the U.S. Department of Health and Human Services (HHS). A broadly representative Policy Advisory Council provides advice and programmatic guidance for both the LIHEAP and Weatherization Assistance Programs. This council serves as a sounding board for policy development and has been instrumental in the design of innovative assistance efforts and creative technologies for these programs.

The LIHEAP is designed to help eligible low-income households pay for winter energy services. For many Illinois households, energy costs place a severe and continuing stress on the family's budget. In some instances, the household is forced to make painful decisions regarding which bills to pay and which necessities to survive without. The DCEO Office of Energy Assistance (OEA), together with the LAAs, continue to ensure a seamless delivery of services under the LIHEAP.

Further, a Percentage of Income Payment Plan (PIPP) was created by the 96th General Assembly in the passage of SB 1918 on May 31, 2009 and signed into law by Governor Patrick Quinn on July 10, 2009. The PIPP is a mandatory bill payment assistance program for low-income residential customers of utilities serving more than 100,000 retail customers as of January 1, 2009.

By legislation, the PIPP will:

1. Bring participants' gas and electric bills into range of affordability;

2. Provide incentives for participants to make timely payments;
3. Encourage participants to reduce usage and participate in conservation and energy efficiency measures that reduce the customers' bills and payment requirements; and
4. Identify participants whose homes are most in need of weatherization.

SB 1918 mandates the PIPP shall be fully implemented by September 1, 2011, but may be phased in prior to that date. In order to hasten aid to low-income families, an interim PIPP (known to the parties as "Phase 1 PIPP") was initiated by Ameren, Common Wealth Edison, Nicor and Peoples/North Shore Gas companies. The Phase 1 PIPP placed targeted customers on a monthly budget billing program with a fixed, affordable client contribution (usually \$10/month). The participating utilities contributed the balance of the client's monthly budget bill and offered the forgiveness of outstanding arrearages in a phase manner if the client made its payment in a timely manner.

The PIPP will include these four utilities as well as participating alternative retail energy suppliers (ARES) on a statewide basis by the September 1, 2011 date. The program requires eligible client income to be less than or equal to 150% of the federal poverty level with an established maximum annual benefit of \$1,800 and maximum annual monthly benefit of \$150/month. Similar to the Phase 1 program, the statewide PIPP will offer an arrearage forgiveness of \$1,000 annually per energy source for on-time client payments.

Business rules have been developed and approved by the PIPP Steering Committee. This committee was comprised of all stakeholders in the process including: DCEO, LAAs, the four Phase 1 utilities and representatives from affected client advocacy groups. These rules serve as one of the initial inputs to the overall business requirements documentation required to adjust LIHEAP.net, a customized software application which serves as the means to determine client eligibility and enroll them in the Office of Energy Assistance's programs.

We will establish goals for the 2010 LIHEAP in keeping with our continuing efforts to serve the most vulnerable groups within Illinois. The target groups are the elderly population, clients age 60 years of age and older, the disabled, and households with young children under the age of 5. The goal of the LIHEAP is to serve a representative percentage of the total eligible population of these groups in Illinois. Performance goals for the program year 2010 will be monitored throughout the year, and if adjustments appear necessary to reach our target populations or benefit levels, appropriate measures will be undertaken.

The Illinois Home Weatherization Assistance Program (IHWAP)

Title IV of the Energy Conservation and Production Act of 1976, as amended, P.L. 94-385, authorizes the Weatherization Assistance Program for low-income persons. This title of the Act states that the purpose of the weatherization program is to assist low-income persons, especially

the elderly and persons with disabilities, by weatherizing their homes, thereby reducing fuel costs for low-income families, and reducing national energy consumption.

Federal responsibility for carrying out the weatherization program's purpose lies with the United States Department of Energy (DOE). DOE's weatherization program responsibilities include the allocation of funds to states to operate weatherization services. Each state's allocation is based on its relative need for weatherization services. A state's relative need is determined through an allocation formula that takes into account state statistics on: 1) the number of low-income households, 2) the percentage of total residential energy used for space heating and cooling, and 3) the number of heating and cooling degree days.

The weatherization funds DOE allocates to Illinois are the responsibility of the Governor to administer. Weatherization services have been administered through DCEO or a predecessor agency since 1977. IHWAP provides Illinois' low-income residents with the labor and materials needed to weatherize their homes.

Through the issuance of Executive Order Number 2009-2, Governor Quinn envisioned strengthening Illinois' ability to help low income residents save fuel and money, while increasing the comfort of their homes. Toward this end, DCEO has been working to link educational institutions, training facilitators, contractors and home weatherization programs through various initiatives and strategies.

DCEO Office of Energy Assistance Weatherization and LIHEAP Production

As of April 21, 2010, the following Weatherization production levels have been achieved:

| ARRA Units Complete | ARRA Units in Progress |
|-------------------------|----------------------------|
| 4,350 | 8,374 |
| Non ARRA Units Complete | Non ARRA Units in Progress |
| 6,368 | 1,726 |

The following performance goals and results were completed during the 2009 LIHEAP:

Target Populations

| Category | Eligible Population | | Service Target | | 2009 Results | |
|------------------------------------|---------------------|---------|----------------|---------|--------------|---------|
| | No. | Percent | No. | Percent | No. | Percent |
| Eligible Households | 863,177 | 100 | 345,270 | 40 | 537,224 | 62.2 |
| Containing elderly members | 326,436 | 37.8 | 130,574 | 40 | 198,702 | 60.8 |
| Containing members with disability | 216,816 | 25.1 | 86,726 | 40 | 120,152 | 55.4 |
| Containing a child under age 5 | 185,514 | 21.4 | 74,205 | 40 | 135,782 | 73.1 |

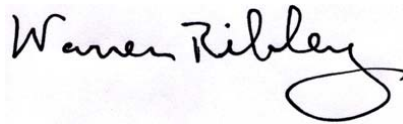
Energy Assistance and Economic Development

DCEO is the lead state agency responsible for improving Illinois' competitiveness in the global economy. Since the LIHEAP and IHWAP are integrally related to both the economic development and energy assistance policies of the State of Illinois managed by DCEO, this transfer and consolidation offered the opportunity to eliminate redundancy, simplify the organizational structure of the Executive Branch, improve accessibility and accountability, provide more efficient use of specialized expertise and facilities, realize savings in administrative costs and promote more effective sharing of best practices and state of the art technology -- all benefits which have been realized as outlined in Executive Order Number 2009-2.

Legislation

DCEO does not have any recommendations for further legislation related to the reorganization at this time.

Respectfully submitted,



Warren Ribley
Director