

State Energy Efficient Appliance Rebate Program Program Plan Narrative – MICHIGAN

Executive Summary

Program Summary.

Briefly describe your overall program approach, including goals, objectives, and estimated benefits for your State or Territory.

The broad goals of the program are to spur economic growth, save energy, and reduce greenhouse gas emissions by encouraging appliance replacements through consumer rebates. This program will create jobs in retailing and manufacturing. Michigan companies make many of the products included in this program. The Michigan strategy will have the following objectives:

1. Complement existing utility energy optimization programs by providing rebates for appliances not covered by utility programs.
2. Reach rural areas not served by utility natural gas programs.
3. Push the marketplace by providing rebates for appliances that exceed the ENERGY STAR standards.

The Michigan Appliance Rebate Program will include:

- Consortium for Energy Efficiency (CEE) Tier 3 Clothes Washers
- ENERGY STAR & CEE Tier 2 Dishwashers
- ENERGY STAR & CEE Tier 3 Refrigerators
- ENERGY STAR Oil Furnaces
- ENERGY STAR Plus Propane Furnaces (AFUE 95%)
- ENERGY STAR Propane Hot Water Heaters (EF \geq .67)
- ENERGY STAR Solar Hot Water Heaters

Michigan will receive \$9,598,000 for the state appliance rebate program. \$8,552,300 or 89% of the federal allocation will be used for rebates. \$1,045,700 or 11% of the federal allocation will be used for administration which will support this statewide effort that includes diverse stakeholders.

The Michigan Appliance Rebate Program will complement utility energy optimization programs and provide rebates for appliances not covered by utility programs. Utility energy optimization programs which include incentives for some appliances were authorized by Public Act 295 of 2008. Utility energy optimization programs started in the summer of 2009 after utility plans were approved by the Michigan Public Service Commission. Michigan utility energy optimization programs provide incentives for ENERGY STAR or better air conditioners, clothes washers, dehumidifiers, natural gas furnaces, natural gas water heaters, and geothermal and heat pump systems. Utility programs offer rebates for CEE Tier 2 clothes washers and the State of

Michigan program will complement that by offering an additional \$50 rebate for a CEE Tier 3 clothes washer. Utility energy optimization programs also offer incentives to recycle refrigerators, freezers, room air conditioners, and dehumidifiers.

Outline your specific program objectives in Table 1. All savings numbers should be calculated using the Program Planning Excel Spreadsheet tool.

Table 1. Program Objectives	
Program Objective	Target Value
Total Number of Rebates Paid	114,143
Total Number of Appliances Replaced	114,143
Total Number of Appliances Recycled	102,549
Total Annual Energy Savings (kWh)	14,583,569
Total Annual Energy Savings (Therms)	1,543,185
Total Annual Water Savings (gallons)	302,918,851
Total Annual CO ₂ Reductions (lbs)	26,874,286
Jobs Created*	117

** DOE is waiting for specific OMB guidance on how to quantify jobs created for reporting purposes. In the meantime, the general guidance is that every \$92,000 expended leads to one "job created."*

Enter a comprehensive timeline with key milestones for your program in Table 2. When will key decisions be made? When will the program be announced? How long will it last? Please add your own milestones as needed.

Table 2. Program Timeline and Milestones	
Program Milestones	Target Date
Issue Request for Proposal for implementation contractors/grantees	November 16, 2009
Receive proposals to implement program	December 4, 2009
Award contracts/grants to implement program	February 1, 2010
Begin processing mail-in rebates	To be determined
End first year of program	December 31, 2010
Begin second year of program if funds are available	January 1, 2011
Close out program	February 17, 2012

Note: DOE approval is estimated. Schedule will be adjusted based on timing of DOE approval.

I. Program Overview

Please populate the Program Planning Excel Spreadsheet before completing this section. All data in the tables below should correspond with the data in the Excel spreadsheet. Please include an estimate of the total number of appliances that will be recycled through your program, where applicable.

Products to be Rebated	Rebate Level (\$)	Targeted Quantity	Total Cost	Targeted # of Products Recycled
Clothes Washers – Tier 3	\$50	25,400	\$1,270,000	22,860
Refrigerators – ES	\$50	29,940	\$1,497,000	26,946
Refrigerators – Tier 3	\$100	28,073	\$2,807,300	25,266
Dishwashers – ES	\$25	10,600	\$265,000	9,540
Dishwashers – Tier 2	\$50	10,600	\$530,000	9,540
Propane Furnaces	\$300	4,280	\$1,284,000	3,852
Propane Water Heaters	\$100	4,280	\$428,000	3,852
Oil Furnaces	\$300	770	\$231,000	693
Solar Water Heaters	\$1,200	200	\$240,000	N/A
Total Rebates		114,143	\$8,552,300	102,549

II. Explanation of Covered Products

If all of the State’s proposed products are from the recommended list included in the FOA, then no additional explanation is needed. You can skip to the next section. If other ENERGY STAR qualified products or cold-climate products are proposed, then you must provide a justification for each product. Data for these additional products must also be included in the Program Planning Excel Spreadsheet.

<p>Justification for ENERGY STAR or cold-climate appliances not on the recommended list. For each product selected, explain why it will provide significant benefits in your State/Territory, the annual per-unit energy savings, estimated annual sales of product in your State (market share), and price difference between the proposed product and the standard efficiency alternative. Include any other explanation you feel justifies the inclusion of this product in your program.</p> <p>Product:</p> <p>Annual per-unit Energy Savings:</p> <p>Estimated Sales or Market Share in your State:</p> <p>Price Difference:</p> <p>Explanation on how this product benefits your State:</p>

III. Integrating SEEARP Rebates with Existing State or Utility Incentives

States must design their SEEARP rebates to complement existing State or utility incentives available to local residents. In addition, States must ensure that the ARRA funds supplement and do not supplant current efforts. In the table below, please note for each product you propose to rebate whether there are any current (or planned) State rebates or tax credits, or any utility rebate programs. Please base this on what is planned for 2010-2011.

Products to be Rebated	Other State Rebate or Tax Incentive Available? (Yes / No)	Utility Rebates Available? (Yes / No)
Clothes Washers – Tier 3	Yes	Yes
Refrigerators – ES	Yes	No
Refrigerators – Tier 3	Yes	No
Dishwashers – ES	Yes	No
Dishwashers – Tier 2	Yes	No
Propane Furnaces	Yes	No
Propane Water Heaters	Yes	No
Oil Furnaces	Yes	No
Solar Water Heaters	No	No

For those products where there will be other rebates or incentives available, please list each of the individual programs in the table below. Complete one table for each applicable product. You do not need to list utility programs offered for products you will not be rebating. Include the name of the sponsoring organization (i.e., the utility or other program sponsor), the efficiency level being used (such as ENERGY STAR), the rebate amount, when the program will be in operation, and budgeted number of rebates if known. Then explain how the State’s proposed rebate level is designed to complement these other efforts. Some possible explanations are noted below. You can copy the table as many times as needed.

Program Sponsor	Efficiency Level	Rebate Amount	When Available	Budgeted Quantity Of Rebates
State of Michigan	ENERGY STAR	10% up to \$75 or \$150	2009 & future years	N/A

How does State’s Proposal Complement these Programs? (Check all that apply)

x	Layering on top of existing rebates to increase total incentive payment to consumers.
x	Directing State rebate to products at a different or higher efficiency level.
	Extending the availability (i.e., the quantity) of existing planned rebates.
x	Other (Please Explain) State tax credits have income eligibility requirements. Single earner cap is \$37,500 and husband & wife joint earner cap is \$75,000.

Product 2: (ENTER PRODUCT NAME) Clothes Washers				
Program Sponsor	Efficiency Level	Rebate Amount	When Available	Budgeted Quantity Of Rebates
Consumers Energy	CEE Tier 2	\$50	Summer 2009	55,715 for all appliances
Detroit Edison	CEE Tier 2	\$25	Summer 2009	See below
Michigan Consolidated Gas	CEE Tier 2	\$25	Summer 2009	See below
Both Det Ed & Mich Con	CEE Tier 2	\$50	Summer 2009	3,375
How does State's Proposal Complement these Programs? (Check all that apply)				
X	Layering on top of existing rebates to increase total incentive payment to consumers.			
X	Directing State rebate to products at a different or higher efficiency level.			
	Extending the availability (i.e., the quantity) of existing planned rebates.			
	Other (Please Explain)			

IV. Program Implementation Strategy

A. Program Delivery – Roles and Responsibilities

Explain who will manage and deliver the State's program. Outline the role of the State and any subcontracted delivery agents, such as third party program implementers, local utilities, recyclers, retailers, etc. Explain your plan for quality assurance for data collected. If using utilities to deliver program, explain how the State will ensure that all residents can participate in the program.

The Bureau of Energy Systems (BES), Michigan Department of Energy, Labor, and Economic Growth (DELEG) will administer the program for the State of Michigan. BES will have a number of staff dedicated to the administration, monitoring, reporting, financial management, and accountability tasks necessary to the successful implementation of the program. The bureau director will provide policy direction. A section manager will provide oversight and supervision. A program administrator will manage and monitor the sub-grantees. The residential programs manager will assist with coordination and marketing. The financial manager will provide oversight and advice on all financial matters related to the project. A secretary will provide administrative support and a student assistant will help with data collection and analysis. All

positions will work part time on the program except the program administrator who will work full time on the program. The program administrator will have regular and frequent contact with the sub-grantees. The section manager and residential programs manager will be very involved in promotion and marketing activities and will keep stakeholder groups informed about the status and progress of the program.

BES will prepare and issue a Request for Proposals to administer program components in the fall of 2009. One or more sub-grantees will be selected thru a competitive process. A sub-grantee or implementation contractor may administer one or more program options. It is expected that grants will be awarded effective February 1, 2010.

BES will provide overall coordination of communication and marketing efforts with stakeholders and trade allies, but each implementation contractor will design programs, work with trade allies, disburse funds to eligible residential consumers, conduct outreach, and monitor implementation for their respective program options.

Implementation contractors will provide monthly reports to the program administrator including the following: 1) Number, dollar amount, and type of rebates paid to residential consumers by county. 2) Administrative costs broken out by accounting, processing, marketing, education, and tracking. 3) Description of planning, partner recruitment, marketing, and verification activities. 4) Problems that should be brought to the attention of the state grant administrator.

Monthly reporting of program activities and rebate fulfillment will allow BES to track progress and manage consumer expectations regarding the availability of rebates. Appropriate disclaimers will be placed on program materials indicating that rebates are limited and prompt announcements will be made when funds are nearly depleted.

B. Program Partners

List other parties the State will collaborate with to deliver its program, including retailers, contractors, local utilities, nonprofit groups, outreach partners, neighboring States, etc. Please describe any Recommendations for Proposals if issued by the State and criteria for selection. Please describe any new networks created.

BES staff has met with various stakeholders since March 2009 to discuss issues related to the state appliance rebate program. An initial group meeting introduced the program and identified potential issues. Individual meetings with various stakeholders were used to brainstorm and discuss various program strategies. The draft state plan was submitted to 34 stakeholders representing diverse interests to obtain feedback on the program.

Implementation contractors selected thru a competitive process will work with trade allies including manufacturers, retailers, and contractors to develop and implement the program. BES will prepare and issue a Request for Proposals to administer program components in the fall of 2009. Selection criteria for implementation contractors will include: experience of organization and project team, ability to manage the program, effectiveness of quality control and verification measures, adequacy of internal control over accounting, reasonableness of timeline for

completion of project, quality of the plan to develop and implement the project, ability to minimize administrative and overhead costs, and ability to provide matching dollars and leverage additional funds.

C. Rebate Processing

Explain how rebates will be paid to consumers in a timely fashion. Examples include mail-in rebate applications and instant rebates provided by participating retailers at the point of sale. For mail-in rebates, please specify the method of payment (e.g., direct deposit, check, etc.). Note who will process the rebate payments and how quickly consumers will receive rebates. Explain how the State will handle customer inquiries about their rebates and remedy any problems. If rebates will be paid in conjunction with utility rebates, then explain how the commingled funds will be tracked. Also describe how the State will ensure it can handle a high volume of rebate requests in a timely fashion and track the remaining budget to avoid oversubscription.

The Michigan appliance rebate program will use mail-in rebates and implementation contractors will be responsible for rebate processing.

Each implementation contractor will have a web page where residential consumers can apply for a rebate. After purchasing an eligible appliance, the consumer will apply for the rebate at the web site, download the approved rebate, and mail to the implementation contractor the signed rebate coupon plus proof of purchase including the model number of the appliance. The consumer will certify that his/her former appliance has been replaced. Because there is a much greater possibility that a refrigerator would be retained as a second refrigerator, purchasers of refrigerators will be required to provide documentation that the replaced refrigerator has been taken by a retailer, recycler, or other party. Upon receipt of the signed rebate coupon and proper documentation, the implementation contractor will mail the consumer a check within two weeks.

Implementation contractors will have toll-free numbers to handle customer inquiries about rebates and their staff will remedy any problems. Residential consumers will be able to contact BES staff if they have issues with the implementation contractors. Rebates will not be paid for utility eligible appliances with the exception of clothes washers. Utility and State of Michigan rebates will be administered separately so there will be no commingled funds. The State will be able to handle a high volume of rebate requests in a timely fashion by selecting capable implementation contractors.

Monthly reports from implementation contractors will allow BES staff to track dollars committed and dollars spent. BES staff will meet at least quarterly with implementation contractors to discuss the status of the program and whether budgets should be reallocated for the various appliance types. Implementation contractors will not over commit dollars to residential consumers applying for mail-in rebates. Mail-in rebates will be carefully monitored to ensure that available dollars are not over committed. Appropriate disclaimers will be placed on program materials indicating that rebates are limited and prompt announcements will be made when funds are nearly depleted.

D. Program Eligibility Rules

Outline the specific eligibility rules the State will utilize for its program. This should include a definition of eligible applicants, including who can apply, number of rebates per household, residency requirements, etc.

Residential consumers will be able to obtain rebates for appliances that meet the following energy efficiency standards.

- Consortium for Energy Efficiency (CEE) Tier 3 Clothes Washers
- ENERGY STAR & CEE Tier 2 Dishwashers
- ENERGY STAR & CEE Tier 3 Refrigerators
- ENERGY STAR Oil Furnaces
- ENERGY STAR Plus Propane Furnaces (AFUE 95%)
- ENERGY STAR Propane Hot Water Heaters (EF \geq .67, 9/1/10 criteria for gas storage)
- ENERGY STAR Solar Hot Water Heaters

An existing appliance will have to be replaced and taken out of service for a residential consumer to be eligible for a rebate for the same type of appliance.

Only Michigan residents will be eligible to participate in the appliance rebate program. Mail-in rebate applicants will identify their address and will certify residency when submitting their rebate coupon to obtain their rebate check.

Residential consumers will be able to apply for one rebate for each appliance type.

After the Michigan plan is approved by DOE, Governor Granholm will announce the program and residential consumers will then be eligible for appliance rebates. The announcement is expected to be made in January 2010. Eligible residential consumers will be able to apply and receive reimbursement using a mail-in rebate once they are available.

E. Product Replacement

Outline the various steps the State will take to target its program toward the replacement of existing appliances. Some examples include eligibility criteria, rebate structure, and recycling efforts.

Residential consumers using a mail-in rebate approach will certify that appliances have been replaced. Because there is a much greater possibility that a refrigerator would be retained as a second refrigerator, purchasers of refrigerators will be required to provide documentation that the replaced refrigerator has been taken by a retailer, recycler, or other party.

F. Product Recycling

Specify for which products, if any, the State will be requiring recycling. As noted in the FOA, this is most appropriate for refrigerant-containing appliances such as refrigerators, freezers, and room air conditioners.

Recycling will be encouraged, but not required for any of the eligible appliances. Mail-in rebate web sites will describe the importance of recycling and link consumers to recycling resources. Many utility energy optimization programs have recycling incentives and programs for refrigerators, freezers, room air conditioners, and dehumidifiers and these programs will be included in the resource links.

If you are requiring recycling, please outline your basic approach. (You may also include a more complete recycling plan as an optional attachment to your application.) Who will administer the recycling component? How will the products be collected? Who will handle the actual decommissioning, and how will recycling be verified or reported?

N/A

Spell out the applicable recycling laws in your State. The State environmental management departments and recycling and landfill permits agencies are good sources for this info.

Michigan Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (“NREPA”), Michigan Compiled Laws (“MCL”) 324.101 *et seq.*; and any rules promulgated and any local laws, rules, or ordinances. Different materials will trigger different requirements. In Michigan, Part 111 of the NREPA is implemented in lieu of RCRA federal regulation for the management of hazardous waste. CFCs, PCBs, and hazardous waste are prohibited from disposal in a non-hazardous solid waste landfill. CFC regulations are implemented by the U.S. EPA.

Waste generated from residents or conditionally exempt small quantity generators can go to a non-hazardous solid waste landfill. However, if a facility is recycling scrap metal whether from a resident or business, the scrap metal recycling collection and processing activities are exempt from Part 111 (hazardous waste permitting/licensing) and Part 115 (solid waste permitting/licensing), however the activity itself results in the generation of new wastes subject to regulation.

When recycling scrap metals, some hazardous constituents/substances must be removed to produce the scrap metal commodity. These are newly generated wastes that must be characterized by the recycler in accordance with hazardous waste and liquid industrial waste regulations and the resultant wastes must be managed by the recycling facility in accordance with the applicable statute and rules.

G. Marketing and Outreach

Outline steps the State will take to promote the rebate program, including informing residents of the start date, eligibility rules, funds remaining for rebates; and, if used, the application process. List outreach tools the State will use, (e.g., press releases), Web sites, e-newsletters, e-lists, Public Service Announcements (PSAs), advertisements, print materials, earned media (interviews, articles written). Does the State intended to become an ENERGY STAR partner and use ENERGY STAR materials?

After the Michigan plan is approved by DOE, Governor Granholm will announce the program

and residential consumers will then be eligible for appliance rebates. Marketing and outreach will be helped by the significant interest shown in this program by the media. It is expected that once the state program is announced there will be widespread media coverage. In addition, BES and the implementation contractors will use the following means to reach eligible consumers:

- Press releases
- BES, implementation contractor, Michigan Recovery Office, and other web sites
- BES and partner newsletters
- Promotion at energy conferences and events, e.g. Michigan Energy Fair reaches 6,000 consumers
- Michigan Energy Demonstration Center seminars and tours for 8,750 residents
- Promotions by retailers and contractors
- Collaboration with utility outreach efforts where possible
- Outreach and education by energy organizations including the Great Lakes Renewable Energy Association, Michigan Propane Assoc. and Michigan Petroleum Assoc.
- Outreach and education by environmental organizations including the 63 members of the Michigan Environmental Council
- Outreach and education by consumer organizations
- Outreach and education by faith organizations including Michigan Interfaith Power & Light and its members
- Outreach through communities, Michigan Municipal League, Michigan Assoc. of Counties, and Michigan Township Assoc.

The implementation contractors will develop and implement a marketing strategy to inform consumers about the availability of appliance rebates. The marketing strategy will include advertising, co-advertising with trade allies, point-of-purchase materials, partnering with consumer groups and use of their web pages and newsletters, and “home improvement” media. The implementation contractors will coordinate their marketing efforts with manufacturers, retailers, contractors, utilities, and other trade allies. The implementation contractors will leverage ENERGY STAR national partner relationships and local program infrastructure and use existing ENERGY STAR consumer education and outreach materials. BES is an ENERGY STAR partner.

Explain how the State will keep consumers informed regarding the status of available funding for rebates and product types to meet consumer expectations. What disclaimers will you include in program materials and rebate applications? Will you rely on a first-come first-served policy for processing rebate payments? Will you announce to the public when funds are nearly depleted? Please be specific.

The State will rely on a first-come, first-served policy for processing rebate payments. All materials will include disclaimers indicating that rebates are limited. All mail-in rebates will have deadlines for submission. Mail-in rebate web sites will be closed down before rebate dollars are overcommitted. There will be press release announcements indicating when funds are nearly depleted and when the program is over for the various appliance types.

V. Oversight and Reporting

A. Oversight

Each State is responsible for overseeing the successful implementation of its program, even if the actual delivery is being subcontracted to another organization. Please summarize what oversight mechanisms the State will put in place for quality assurance and to minimize fraud.

BES will have a number of staff dedicated to the administration, monitoring, reporting, financial management, and accountability tasks necessary to the successful implementation of the program. BES will provide overall coordination of communication and marketing efforts with stakeholders and trade allies, but each implementation contractor will design programs, work with trade allies, disburse funds to eligible residential consumers, conduct outreach, and monitor implementation for their respective program options.

Implementation contractors will provide monthly reports to the state grant administrator including the following: 1) Number, dollar amount, and type of rebates paid to residential consumers by county. 2) Administrative costs broken out by accounting, processing, marketing, education, and tracking. 3) Description of planning, partner recruitment, marketing, and verification activities. 4) Problems that should be brought to the attention of the state grant administrator.

Each implementation contractor will be responsible for verification activities. Mail-in rebate coupons will be closely checked for 1) appliance eligibility, 2) residential consumer eligibility, and 3) appliance replacement. Any indication of a problem will result in a follow up contact and check with the retailer, contractor, or residential consumer. BES staff will conduct monthly program reviews with implementation contractors to ensure that verification activities are being undertaken and problems are minimal.

B. Progress Reporting

As outlined in the FOA, States are required to submit a progress report for all activities on a quarterly basis. **DOE will issue clarification shortly on any additional reporting requirements with specific Excel tools for ease of reporting.** States should plan staffing accordingly to accommodate monthly tracking of the metrics listed below, as well as potential Recovery Act reporting.

This reporting does not replace any additional reporting required under The American Recovery and Reinvestment Act of 2009, Pub. L. 111-5. Additional monitoring and reporting guidance will be forthcoming. Please refer to your FOA for detailed information.

Notes on Metrics:

Total # of State Rebates Paid

Although reporting will be quarterly, the State must track rebates paid monthly for each category of appliances selected.

Total # of other State/Utility Rebates Paid

Based on the listing of other State and utility programs in the State, as supplied in Section III., above, the State must report the rebates actually paid to consumers by other State or utility programs.

Total # of Appliances Recycled

Based on management of recycling as detailed in section F of the Program Implementation Strategy, explain how the State will collect information on appliances recycled by type over the reporting period.

Number of Jobs Created

For all project types, the number of jobs that are created or retained during the reporting period should be reported; each job should only be reported once. This number must be based on actual employees. If actual jobs cannot be verified, the state may propose its own methodology for estimating jobs; this methodology must be approved in advance.

Estimated Energy Saved and CO₂ emissions avoided

States are expected to provide the interim estimated benefits due to the rebates provided. This primarily takes the form of annual energy savings and CO₂ abatement due to activity in the period. For example, if 1000 rebates were delivered in the quarter, report the expected annual savings due to the appliances sold. The reporting framework will include an estimate calculation of kWh, BTU saved and CO₂ for each specific appliance. The State may report this value or values based on its own methodology, with justification and approval.

VI. Applicant Contact Information

State Program Contact One (Business Officer) (The person who is responsible for the day-to-day management, including progress reporting.):

Name and Title: John Sarver, Supervisor Technical Assistance
Agency: Bureau of Energy Systems, Michigan Dept. of Energy, Labor, & Economic Growth
Email: sarverj@michigan.gov
Phone: 517-241-6280

State Program Contact Two:

Name and Title: Patrick Hudson, Residential Programs Manager
Agency: Bureau of Energy Systems, Michigan Dept. of Energy, Labor, & Economic Growth
Email: hudsonp1@michigan.gov
Phone: 517-241-6154

State Single Point of Contact to Comply with Executive Order 12372 (FOA, page 13):

Name and Title: William Parkus
Agency: Southeast Michigan Council of Governments
Email: parkus@semcog.org
Telephone: 313-961-4266

Website URL where the State application will post public communications:

www.michigan.gov/energyoffice

Contact Information for each sub awardee (expand as needed):

Company	Contact Person	Email	Telephone Number	Website URL
To be determined				