

# Overview of Demand Response in PA 341 and PA 342

## PA 341

### Consideration of Aggregate Revenues

#### MCL 460.6a

(13) The commission shall consider the aggregate revenues attributable to revenue decoupling mechanisms, financial incentives, and shared savings mechanisms the commission has approved for an electric utility relative to energy waste reduction, conservation, demand-side programs, peak load reduction, and other waste reduction measures. The commission may approve an alternative methodology for a revenue decoupling mechanism authorized under subsection (12), a financial incentive authorized under section 75 of the clean and renewable energy and energy waste reduction act, 2008 PA 295, MCL 460.1075, or a shared savings mechanism authorized under section 6x if the commission determines that the resulting aggregate revenues from those mechanisms would not result in a reasonable and cost-effective method to ensure that investments in energy waste reduction, demand-side programs, peak load reduction, and other waste reduction measures are not disfavored when compared to utility supply-side investments. The commission's consideration of an alternative methodology under this subsection shall be conducted as a contested case pursuant to chapter 4 of the administrative procedures act of 1969, 1969 PA 306, MCL 24.271 to 24.287

### DR in IRP Filings

#### MCL 460.6s

(11) The commission shall establish standards for an integrated resource plan that shall be filed by an electric utility requesting a certificate of necessity under this section. This subsection does not apply to an electric utility that has an approved integrated resource plan under section 6t. An integrated resource plan shall include all of the following:

...

(e) Projected load management and demand response savings for the electric utility and the projected costs for those programs.

#### MCL 460.6t

(1) The commission shall, within 120 days of the effective date of the amendatory act that added this section and every 5 years thereafter, commence a proceeding and, in consultation with the Michigan agency for energy, the department of environmental quality, and other interested parties, do all of the following as part of the proceeding:

...

(b) Conduct an assessment for the use of demand response programs in this state, based on what is economically and technologically feasible, as well as what is reasonably achievable. The assessment shall expressly account for advanced metering infrastructure that has already been installed in this state and seek to fully maximize potential benefits to ratepayers in lowering utility bills

(5) An integrated resource plan shall include all of the following:

...

(f) Projected load management and demand response savings for the electric utility and the projected costs for those programs.

...

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(n) A forecast of the utility's peak demand and details regarding the amount of peak demand reduction the utility expects to achieve and the actions the utility proposes to take in order to achieve that peak demand reduction

(8) The commission shall approve the integrated resource plan under subsection (7) if the commission determines all of the following:

(a) The proposed integrated resource plan represents the most reasonable and prudent means of meeting the electric utility's energy and capacity needs. To determine whether the integrated resource plan is the most reasonable and prudent means of meeting energy and capacity needs, the commission shall consider whether the plan appropriately balances all of the following factors:

...

(vii) Whether the proposed levels of peak load reduction and energy waste reduction are reasonable and cost effective. Exceeding the renewable energy resources and energy waste reduction goal in section 1 of the clean and renewable energy and energy waste reduction act, 2008 PA 295, MCL 460.1001, by a utility shall not, in and of itself, be grounds for determining that the proposed levels of peak load reduction, renewable energy, and energy waste reduction are not reasonable and cost effective.

### Shared Savings Mechanism

MCL 460.6x

(1) Subject to section 6 a (13), in order to ensure equivalent consideration of energy waste reduction resources within the integrated resource planning process, the commission shall by January 1, 2021 authorize a shared savings mechanism for an electric utility to the extent that the electric utility has not otherwise capitalized the costs of the energy waste reduction, conservation, demand reduction, and other waste reduction measures.

(2) For an electric utility that achieves annual electric energy savings of at least 1% but not greater than 1.25% of its total annual weather-adjusted retail sales in megawatt hours in the previous calendar year, the shared savings incentive shall be 25% of the net benefits validated as a result of the programs implemented by the electric utility related to energy waste reduction, conservation, demand reduction, and other waste reduction. A shared savings mechanism authorized under this subsection shall not exceed 15% of the electric utility's expenditures associated with implementing energy waste reduction programs for the calendar year in which the shared savings mechanism was authorized. The commission shall determine net benefits by calculating the net present value of the lifetime avoided utility costs that are projected from the utility's energy waste reduction programs implemented in a calendar year less the utility expenditures associated with implementing the energy waste reduction program in that calendar year,

<sup>1</sup>(3) 1.25%-1.5% energy savings gets 27.5% of net benefits, not to exceed 17.5% of ERW program costs

<sup>1</sup>(4) >1.5% energy savings gets 30% of net benefits, not to exceed 20% of ERW program costs

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<sup>1</sup> Paraphrased. These shared savings provisions contain the same language as 1%-1.25%

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## PA 342

### Definitions

MCL 460.1005 (f):

“Energy waste reduction”, subject to subdivision (g), means all of the following:

- (i) Energy efficiency.
- (ii) Load management, to the extent that the load management reduces provider costs

460.1007 (g):

“Load management” means measures or programs that target equipment or behavior to result in decreased peak electricity demand such as by shifting demand from a peak to an off-peak period.

### Financial Incentive Mechanism— see section 89 for DR program costs

MCL 460.1075

(1) An energy waste reduction plan of a provider whose rates are regulated by the commission may authorize a commensurate financial incentive for the provider for exceeding the energy waste reduction standard. Payment of any financial incentive authorized in the energy waste reduction plan is subject to the approval of the commission.

(2) The total amount of a financial incentive for an electric provider that achieves annual incremental savings of greater than 1.5% of its total annual retail electricity sales in megawatt hours in the preceding year... shall not exceed the lesser of the following amounts:

(a) 30% of the net present value of life-cycle cost reductions experienced by the provider’s customers as a result of implementation, during the year for which the financial incentive is paid, of the energy waste reduction plan.

(b) 20% of the provider’s actual energy waste reduction program expenditures for the year.

<sup>2</sup>(3) Between 1.25% and 1.5%:

(a) 27.5% of the net present value of life-cycle cost reductions

(b) 17.5% of the provider’s actual energy waste reduction program expenditures

<sup>2</sup>(4) Between 1.0% and 1.25%:

(a) 25% of the net present value of life-cycle cost reductions

(b) 15% of the provider’s actual energy waste reduction program expenditures

### DR in EWR Plan

MCL 460.1077

(2) If an electric provider uses load management to achieve energy savings under its energy waste reduction plan, the minimum energy savings required under subsection (1) [1% per year] shall be adjusted by an amount such that the ratio of the minimum energy savings to the sum of actual expenditures for implementing its approved energy waste reduction plan and the load management expenditures remains constant

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<sup>2</sup> Paraphrased. These parts contain the same language as the incentive for >1.5%

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(7) Renewable energy credits, load management that reduces overall energy usage, or a combination thereof shall not be used by a provider to meet more than 10% of the energy waste reduction standard. Substitutions for energy waste reduction credits shall be made at the rate of 1 renewable energy credit per energy waste reduction credit.

MCL 460.1089

(1) The commission shall allow a provider whose rates are regulated by the commission to recover the actual costs of implementing its approved energy waste reduction plan. However, costs exceeding the overall funding levels specified in the energy waste reduction plan are not recoverable unless those costs are reasonable and prudent and meet the utility system resource cost test. Furthermore, costs for load management undertaken by an electric provider pursuant to an energy waste reduction plan are not recoverable as energy waste reduction program costs under this section, but may be recovered as described in section 95.

MCL 460.1091:

(1) Except for section 89(5), sections 71 to 89 do not apply to a provider that each year pays not less than 2.0% of total utility sales revenues for the second year preceding, including electricity or natural gas commodity costs, to an independent energy waste reduction program administrator selected by the commission.

### Promotion and Cost Recovery

MCL 460.1095

- (1) Subject to subsection (2), the commission shall do all of the following:
- (a) Promote load management in appropriate circumstances, including expansion of existing and establishment of new load management programs in which an electric provider may manage the operation of energy consuming devices and remotely shut down air conditioning or other energy intensive systems of participating customers, demand response programs that use time of day pricing and dynamic rate pricing, and similar programs, for utility customers that have advanced metering infrastructure. Electric provider participation and customer enrollment in such programs are voluntary. However, electric providers whose rates are regulated by the commission and whose rates include the cost of advanced metering infrastructure shall offer commission-approved demand response programs. The programs may provide incentives for customer participation and shall include customer protection provisions as required by the commission. To participate in a program, a customer shall agree to remain in the program for at least 1 year.
  - (b) Actively pursue increasing public awareness of load management techniques.
  - (c) Engage in regional load management efforts to reduce the annual demand for energy whenever possible.
  - (d) Work with residential, commercial, and industrial customers to reduce annual demand and conserve energy through load management techniques and other activities it considers appropriate.

(2) Subsection (1) shall not be construed to prevent an electric utility from doing any of the following:

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- (a) Recovering the full cost associated with providing electric service and load management programs.
- (b) Installing metering and retrieving metering data necessary to properly, accurately, and efficiently bill for the electric utility's services without manual intervention or manual calculation.

(3) The commission may allow a provider whose rates are regulated by the commission to recover costs for load management through base rates as part of a proceeding under section 6a of 1939 PA 3, MCL 460.6a, if the costs are reasonable and prudent and meet the utility systems resource cost test.

(5) This subpart does not limit the authority of the commission, following an integrated resource plan proceeding and as part of a rate-making process, to allow a provider whose rates are regulated by the commission to recover for additional prudent energy efficiency and energy conservation measures not included in the provider's energy waste reduction plan if the provider has met the requirements of the energy waste reduction program.

Category	Link
Total Revenues	<a href="#">460.6a(13)</a>
IRP	<a href="#">460.6s(11)e</a>
Potential Study	<a href="#">460.6t(1)b</a>
IRP	<a href="#">460.6t(5)f</a>
IRP	<a href="#">460.6t(5)n</a>
IRP	<a href="#">460.6t(8)a</a>
SSM	<a href="#">460.6x(1)</a>
SSM	<a href="#">460.6x(2)</a>
SSM	<a href="#">460.6x(3)</a>
SSM	<a href="#">460.6x(4)</a>
Definition	<a href="#">460.1005(f)</a>
Definition	<a href="#">460.1007(g)</a>
FIM	<a href="#">460.1075(1)</a>
FIM	<a href="#">460.1075(2)</a>
FIM	<a href="#">460.1075(3)</a>
FIM	<a href="#">460.1075(4)</a>
DR in EWR Plan	<a href="#">460.1077(2)</a>
DR in EWR Plan	<a href="#">460.1089(1)</a>
EWR Prog Admin	<a href="#">460.1091(1)</a>
Promote DR	<a href="#">460.1095(1)</a>
DR Cost Recovery	<a href="#">460.1095(2)</a>
DR Cost Recovery	<a href="#">460.1095(3)</a>
DR Cost Recovery	<a href="#">460.1095(5)</a>