

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter, on the Commission's own motion, )  
regarding the regulatory reviews, revisions, )  
determinations, and/or approvals necessary for ) Case No. U-18260  
**ALPENA POWER COMPANY** to fully comply with )  
Public Act 295 of 2008, as amended by )  
Public Act 342 of 2016. )  
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In the matter, on the Commission's own motion, )  
regarding the regulatory reviews, revisions, )  
determinations, and/or approvals necessary for ) Case No. U-18261  
**CONSUMERS ENERGY COMPANY** to fully comply )  
with Public Act 295 of 2008, as amended by )  
Public Act 342 of 2016. )  
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In the matter, on the Commission's own motion, )  
regarding the regulatory reviews, revisions, )  
determinations, and/or approvals necessary for ) Case No. U-18262  
**DTE ELECTRIC COMPANY** )  
to fully comply with Public Act 295 of 2008, )  
as amended by Public Act 342 of 2016. )  
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In the matter, on the Commission's own motion, )  
regarding the regulatory reviews, revisions, )  
determinations, and/or approvals necessary for ) Case No. U-18263  
**INDIANA MICHIGAN POWER COMPANY** to fully )  
comply with Public Act 295 of 2008, as amended by )  
Public Act 342 of 2016. )  
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In the matter, on the Commission's own motion, )  
regarding the regulatory reviews, revisions, )  
determinations, and/or approvals necessary for )  
**NORTHERN STATES POWER COMPANY –** )  
**WISCONSIN** to fully comply with ) Case No. U-18264  
Public Act 295 of 2008, as amended by )  
Public Act 342 of 2016. )  
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In the matter, on the Commission's own motion, )  
regarding the regulatory reviews, revisions, )  
determinations, and/or approvals necessary for )  
**UPPER PENINSULA POWER COMPANY** to fully )  
comply with Public Act 295 of 2008, as amended )  
by Public Act 342 of 2016. )  
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Case No. U-18265

In the matter, on the Commission's own motion, )  
regarding the regulatory reviews, revisions, )  
determinations, and/or approvals necessary for )  
**WISCONSIN PUBLIC SERVICE CORPORATION** to )  
fully comply with Public Act 295 of 2008, )  
as amended by Public Act 342 of 2016. )  
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Case No. U-18266

In the matter, on the Commission's own motion, )  
regarding the regulatory reviews, revisions, )  
determinations, and/or approvals necessary for )  
**WISCONSIN ELECTRIC POWER COMPANY** to )  
fully comply with Public Act 295 of 2008, )  
as amended by Public Act 342 of 2016. )  
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Case No. U-18267

In the matter, on the Commission's own motion, )  
regarding the regulatory reviews, revisions, )  
determinations, and/or approvals necessary for )  
**DTE GAS COMPANY** )  
to fully comply with Public Act 295 of 2008, )  
as amended by Public Act 342 of 2016. )  
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Case No. U-18268

In the matter, on the Commission's own motion, )  
regarding the regulatory reviews, revisions, )  
determinations, and/or approvals necessary for )  
**MICHIGAN GAS UTILITIES CORPORATION** )  
to fully comply with Public Act 295 of 2008, )  
as amended by Public Act 342 of 2016. )  
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Case No. U-18269















In the matter, on the Commission’s own motion, )  
regarding the regulatory reviews, revisions, )  
determinations, and/or approvals necessary for )  
**LANSING BOARD OF WATER AND LIGHT** to fully )  
comply with Public Act 295 of 2008, as amended )  
by Public Act 342 of 2016. )

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Case No. U-18301

In the matter, on the Commission’s own motion, )  
regarding the regulatory reviews, revisions, )  
determinations, and/or approvals necessary for )  
**LOWELL LIGHT AND POWER** to fully comply )  
with Public Act 295 of 2008, as amended by )  
Public Act 342 of 2016. )

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Case No. U-18302

In the matter, on the Commission’s own motion, )  
regarding the regulatory reviews, revisions, )  
determinations, and/or approvals necessary for )  
**MARQUETTE BOARD OF LIGHT & POWER** to )  
fully comply with Public Act 295 of 2008, )  
as amended by Public Act 342 of 2016. )

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Case No. U-18303

In the matter, on the Commission’s own motion, )  
regarding the regulatory reviews, revisions, )  
determinations, and/or approvals necessary for )  
**MARSHALL ELECTRIC DEPARTMENT** to fully )  
comply with Public Act 295 of 2008, as amended )  
by Public Act 342 of 2016. )

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Case No. U-18304

In the matter, on the Commission’s own motion, )  
regarding the regulatory reviews, revisions, )  
determinations, and/or approvals necessary for )  
**NEGAUNEE DEPARTMENT OF PUBLIC WORKS** )  
to fully comply with Public Act 295 of 2008, )  
as amended by Public Act 342 of 2016. )

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Case No. U-18305

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In the matter, on the Commission’s own motion, )  
regarding the regulatory reviews, revisions, )  
determinations, and/or approvals necessary for )  
**NEWBERRY WATER AND LIGHT BOARD** to fully )  
comply with Public Act 295 of 2008, as amended )  
by Public Act 342 of 2016. )  
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Case No. U-18306

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In the matter, on the Commission’s own motion, )  
regarding the regulatory reviews, revisions, )  
determinations, and/or approvals necessary for )  
**NILES UTILITY DEPARTMENT** to fully comply with )  
Public Act 295 of 2008, as amended by )  
Public Act 342 of 2016. )  
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Case No. U-18307

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In the matter, on the Commission’s own motion, )  
regarding the regulatory reviews, revisions, )  
determinations, and/or approvals necessary for )  
**CITY OF NORWAY** to fully comply with )  
Public Act 295 of 2008, as amended by )  
Public Act 342 of 2016. )  
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Case No. U-18308

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In the matter, on the Commission’s own motion, )  
regarding the regulatory reviews, revisions, )  
determinations, and/or approvals necessary for )  
**CITY OF PAW PAW** to fully comply with )  
Public Act 295 of 2008, as amended by )  
Public Act 342 of 2016. )  
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Case No. U-18309

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In the matter, on the Commission’s own motion, )  
regarding the regulatory reviews, revisions, )  
determinations, and/or approvals necessary for )  
**CITY OF PETOSKEY** to fully comply with )  
Public Act 295 of 2008, as amended by )  
Public Act 342 of 2016. )  
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Case No. U-18310

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In the matter, on the Commission’s own motion, )  
regarding the regulatory reviews, revisions, )  
determinations, and/or approvals necessary for )  
**CITY OF PORTLAND** to fully comply with )  
Public Act 295 of 2008, as amended by )  
Public Act 342 of 2016. )  
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Case No. U-18311

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In the matter, on the Commission’s own motion, )  
regarding the regulatory reviews, revisions, )  
determinations, and/or approvals necessary for )  
**CITY OF SEBEWAING** to fully comply with )  
Public Act 295 of 2008, as amended by )  
Public Act 342 of 2016. )  
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Case No. U-18312

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In the matter, on the Commission’s own motion, )  
regarding the regulatory reviews, revisions, )  
determinations, and/or approvals necessary for )  
**CITY OF SOUTH HAVEN** to fully comply with )  
Public Act 295 of 2008, as amended by )  
Public Act 342 of 2016. )  
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Case No. U-18313

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In the matter, on the Commission’s own motion, )  
regarding the regulatory reviews, revisions, )  
determinations, and/or approvals necessary for )  
**CITY OF ST. LOUIS** to fully comply with )  
Public Act 295 of 2008, as amended by )  
Public Act 342 of 2016. )  
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Case No. U-18314

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In the matter, on the Commission’s own motion, )  
regarding the regulatory reviews, revisions, )  
determinations, and/or approvals necessary for )  
**CITY OF STEPHENSON** to fully comply with )  
Public Act 295 of 2008, as amended by )  
Public Act 342 of 2016. )  
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Case No. U-18315

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In the matter, on the Commission’s own motion, )  
regarding the regulatory reviews, revisions, )  
determinations, and/or approvals necessary for )  
**CITY OF STURGIS** to fully comply with )  
Public Act 295 of 2008, as amended by )  
Public Act 342 of 2016. )  
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Case No. U-18316

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In the matter, on the Commission’s own motion, )  
regarding the regulatory reviews, revisions, )  
determinations, and/or approvals necessary for )  
**TRAVERSE CITY LIGHT AND POWER** to )  
fully comply with Public Act 295 of 2008, )  
as amended by Public Act 342 of 2016. )  
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Case No. U-18317

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In the matter, on the Commission’s own motion, )  
regarding the regulatory reviews, revisions, )  
determinations, and/or approvals necessary for )  
**UNION CITY ELECTRIC DEPARTMENT** to )  
fully comply with Public Act 295 of 2008, )  
as amended by Public Act 342 of 2016. )  
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Case No. U-18318

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In the matter, on the Commission’s own motion, )  
regarding the regulatory reviews, revisions, )  
determinations, and/or approvals necessary for )  
**CITY OF WAKEFIELD** to fully comply )  
with Public Act 295 of 2008, as amended by )  
Public Act 342 of 2016. )  
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Case No. U-18319

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In the matter, on the Commission’s own motion, )  
regarding the regulatory reviews, revisions, )  
determinations, and/or approvals necessary for )  
**WYANDOTTE DEPARTMENT OF MUNICIPAL )  
SERVICE** to fully comply with )  
Public Act 295 of 2008, as amended by )  
Public Act 342 of 2016. )  
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Case No. U-18320

In the matter, on the Commission’s own motion,  
regarding the regulatory reviews, revisions,  
determinations, and/or approvals necessary for  
**ZEELAND BOARD OF PUBLIC WORKS** to fully  
comply with Public Act 295 of 2008, as amended  
by Public Act 342 of 2016.

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Case No. U-18321

At the March 28, 2017 meeting of the Michigan Public Service Commission in Lansing,  
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman  
Hon. Norman J. Saari, Commissioner  
Hon. Rachael A. Eubanks, Commissioner

**ORDER**

Background

The objective of this order is to provide an overview of the 2008 statutory framework for energy efficiency programs, review Commission orders interpreting or implementing these statutes, outline recent changes in legislation, and provide some guidance about Commission expectations going forward.

On October 6, 2008, Governor Jennifer M. Granholm signed into law the “Clean, Renewable, and Efficient Energy Act”, 2008 PA 295, MCL 460.1001 *et seq.* (Act 295). Act 295, among other things, requires all providers of electric and gas service in this state to establish energy optimization programs by filing energy optimization plans (EOPs) with the Commission. MCL 460.1071(1). Under Act 295, EOPs were subject to Commission approval and enforcement “in the same manner as an electric provider’s renewable energy plan [REP],” with the exception of alternative electric suppliers. MCL 460.1071(2); MCL 460.1005(a)(iv). Thus, biennial EOPs are

required from investor-owned utilities (IOUs), rate-regulated cooperatives (RRCs),<sup>1</sup> member-regulated cooperatives (MRCs), and municipally-owned electric utilities (MOEUs). Like REPs, reviews of EOPs are conducted as contested cases for IOUs and RRCs, and are subject to public comment for MRCs and MOEUs. MCL 460.1021(8); MCL 460.1023(4); MCL 460.1025(4). Certain electric providers also had the option of petitioning the Commission for an alternative energy optimization standard at the two-year point pursuant to MCL 460.1081, and any provider can pursuant to its EOP, elect to use the independent energy optimization program administrator for the subsequent two years as provided in MCL 460.1091.

The EOP shall: (1) propose a set of programs that will meet energy savings targets established by Act 295; (2) include offerings for each customer class, including low income residential customers; (3) specify necessary funding levels; (4) propose cost recovery mechanisms that will allow recovery of EOP costs and, to the extent possible, ensure that funds collected from one customer class are spent on programs for customers in that class; (5) demonstrate that the energy optimization programs, excluding program offerings to low income residential customers, will be cost effective; (6) provide for the practical and effective administration of the proposed programs; and (7) provide a process for independent expert evaluation of actual energy savings, with evaluations subject to Commission oversight and public review. MCL 460.1071.

Incremental energy savings requirements under Act 295 are either weather-normalized or based on the average number of megawatt hours (MWh) or dekatherms (dth) of electricity or gas sold to retail customers in the previous three years. MCL 460.1071(3)(f). While Act 295 requires the Commission to allow providers flexibility in the design of their programs, certain programs are subject to limitations. Specifically, “educational programs designed to alter consumer behavior” .

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<sup>1</sup> Currently, there are no electric RRCs.

. . . “shall not exceed 3% of the costs of implementing the energy waste reduction plan.”

MCL 460.1071(4)(a) and MCL 460.1071(5). Act 295 further provides that the Commission may authorize a financial incentive for exceeding the energy optimization performance standard.

MCL 460.1075.

MCL 460.1097(1) provides that “by a time determined by the commission, each provider shall submit to the commission an annual report that provides information relating to the actions taken by the provider to comply with the energy optimization standards.” All cooperatives and MOEUs are subject to additional requirements regarding reporting to their governing bodies and customers. MCL 460.1097(1), (3). Act 295 also requires the Commission to commence annual EOP reconciliation proceedings for IOUs and RRCs, which the Commission has determined should be simultaneous with the filing of annual reports. MRCs and MOEUs are not required to file reconciliation cases.

On December 4, 2008, pursuant to MCL 460.1191, the Commission issued an order in Case No. U-15800 (Temporary Order) that provided direction in the filing and implementation of EOPs. The Temporary Order, *inter alia*, discussed the development and ongoing implementation of the Michigan Energy Measures Database (MEMD), encouraged providers to integrate energy optimization programs with on-bill financing of energy efficiency measures through the Michigan Saves program, discussed the establishment of energy optimization surcharges and the treatment of non-residential, transportation-only gas customers, provided guidance on self-directed EOPs for large electric customers, and defined how sales volumes should be calculated for setting savings targets and surcharges. In addition, the Temporary Order addressed deferred accounting for pre-plan expenditures, limited evaluation, measurement and verification (EM&V) costs to 8% of total program costs, allowed for 5% of program costs to be used for pilot programs, and discussed low

income energy efficiency programs, administration of programs by the independent energy optimization administrator, information to be included on customer bills, and proposals for the financial incentive mechanism set forth in MCL 460.1075. In Attachment E to the temporary order, pp. 14-15, the Commission provided a template for EOP planning and a table for presenting program outcomes.

In the eight years since the enactment of Act 295, the Commission has made various adjustments to energy optimization implementation, including:

- In an order issued on May 26, 2009 in Case No. U-15805, the Commission determined that accurate information about energy savings was essential to the successful implementation and evaluation of energy optimization programs. Accordingly, the Commission established the EO Collaborative to support program evaluation and update and refine the MEMD on the basis of actual experience. The Commission also found that verification of self-directed EOP energy savings should be addressed outside of EOP cases and that monthly over- and undercollections of EO surcharge revenue should accrue interest at the company's short-term borrowing rate. And the Commission found that any financial incentive shall be paid at the Commission's discretion and that the amount of the incentive should be proportional to the amount that actual energy savings exceed the mandated savings target.
- In an order issued on June 2, 2009 in Case No. U-15806, the Commission found that any financial incentive should not be collected until after a company has demonstrated that its energy efficiency programs have exceeded the statutory targets. In addition, the Commission rejected a proposal to include uncollectible amounts in EO surcharges on grounds that uncollectibles are not energy optimization costs.
- In orders issued on September 29, 2009 in Case No. U-15805 and Case No. U-15806, the Commission approved financial incentive mechanisms based on algorithms that provided for an award of the maximum incentive upon achieving 115% of the savings target with a utility system resource cost test (USRCT) score of 1.25 or better.
- In the June 3, 2010 order issued in Case No. U-15806, the Commission approved a proposal to include electric choice sales in the calculation of energy savings targets. The Commission also approved an increase in spending changes between programs within a class, from 20% to 30%, without the need to file a plan amendment.



- In the December 2, 2010 order in Case No. U-16412, the Commission found that the MEMD should be revised annually by the EO Collaborative, and that the use of the MEMD for planning purposes was appropriate. The Commission also agreed with a proposal to prorate the savings calculation for large gas transportation-only customers, recognizing the significant disparity between the magnitude of the annual gas savings target for these customers and the amount of funding available to achieve the target.
- In the February 8, 2011 order in Case No. U-16289, the Commission rejected a proposal to apply interest to financial incentive awards on grounds that, unlike debt, a financial award has no carrying cost for the utility, thus the application of interest is inappropriate.
- On August 25, 2011 in Case No. U-16563, the Commission approved filing forms and instructions for self-directed EOPs.
- In the April 12, 2012 order in Case No. U-16671, the Commission rejected a proposal to reduce low-income funding by one third, finding that this rendered the EOP unreasonable under MCL 460.1073(2)(d). The Commission further found that persistence of behavioral programs cannot be assumed and must be supported by data from long-term studies. The Commission also approved a deemed net-to-gross (NTG) ratio of .90 for most EO programs, until such time as more information was available about spillover and market effects. Finally, because the Commission approved a set NTG ratio, it further determined that it was appropriate for the EO collaborative to reevaluate the financial incentive metric to include additional factors such as: (1) the extent to which EOP measures reduce on-peak demand; (2) the availability and effectiveness of low-income programs as measured by a reduction in uncollectibles; (3) innovativeness of programs and the extent to which they are focused on deep energy savings; (4) coordination of programs with other utilities or entities offering EO; (5) the extent to which the EO programs stimulate jobs or economic development.
- In the December 20, 2012 order in Case No. U-17049, the Commission affirmed the use of an NTG ratio of .90 for EO programs for 2013, but directed the EO Collaborative to reevaluate the NTG for compact fluorescent bulbs beginning in 2014. The Commission also approved a financial incentive mechanism that included performance metrics for base energy savings, savings from low-income programs, and the implementation of multiple measures for residential and commercial and industrial customers.
- In the April 17, 2012 order in Case No. U-16670 the Commission approved a large gas transportation-only customer program as a pilot, and it directed the EO Collaborative to consider whether the financial incentive for gas EO should be structured differently than the financial incentive for electric EO.

- In the February 28, 2013 order in Case No. U-17138, the Commission determined that a 1.1 multiplier for long-life measures (i.e., measures with a life of ten years or more) should be applied before calculating savings for the purposes of computing a financial incentive. In addition, in the December 19, 2013 order in Case No. U-17351, the Commission approved market transformation multipliers of 1.5 to 2.0 for certain light emitting diode (LED) lighting, air-to-air heat pumps, and mini-split heat pumps.

On December 21, 2016,<sup>2</sup> Governor Rick Snyder signed into law Public Act 342 of 2016 (Act 342), the “Clean and Renewable Energy and Energy Waste Reduction Act,” which amended Act 295 in several ways, most significantly:

- “Energy optimization” is changed to “energy waste reduction” (EWR) throughout, and rather than proving that plans are subject to approval and enforcement in the same manner as renewable energy plans, Act 342 codifies procedures for energy waste reduction plans (EWRPs) and amendments that generally mirror the processes that have been used since 2008.
- The definition of “energy waste reduction” which formerly included energy efficiency, energy conservation, and “Load management to the extent that the load management reduces overall energy usage,” has been revised to include energy efficiency, energy conservation, and “Load management, to the extent that the load management reduces provider costs.”
- Section 71 of the act now specifies that the goal of the EWR program includes reducing provider costs. It also states that providers should ensure that charges collected from one customer class are used “for the benefit of,” rather than simply “for” that customer class.
- Section 73 of the act now provides that, in addition to approval of EWRPs, the Commission enforces plans for rate-regulated utilities. For all others, enforcement provisions are set forth in (new) Section 99. Section 73 also codifies the administrative changes approved on April 17, 2012 in Case Nos. U-16688 *et al.* After December 31, 2021, Section 73 will only apply to providers regulated by the Commission.
- Section 75 of Act 295 currently allows a financial incentive for rate-regulated providers for exceeding the energy optimization performance standard. Act 342 sets out a revised incentive that permits a provider that achieves annual incremental savings of greater than 1.5% of its total annual retail electricity sales in MWh in the preceding year, or a natural gas provider that achieves annual incremental savings

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<sup>2</sup> Act 342 has an effective date of April 20, 2017.

of greater than 1.0% of its total annual retail natural gas sales in dth in the preceding year, to receive an incentive equal to the lesser of 30% (instead of 25%) of the net present value of life-cycle cost reductions experienced by the provider's customers as a result of implementation of the EWRP, or 20% (instead of 15%) of the provider's actual energy waste reduction program expenditures for the year. Act 342 includes proportional incentives for providers that achieve annual incremental savings of lesser amounts.

- Under Section 77, subject to Section 97, the annual incremental energy savings through 2021 must be equivalent to 1.0% of total annual retail electricity sales in MWh and annual incremental gas savings of .75% of total annual retail gas sales in dth through 2021. Act 342 maintains the requirement that energy savings be determined through the use of the MEMD or other method that the Commission finds reasonable.
- Act 342 adds Section 78, which addresses EWR after 2021.
- Section 87 now clarifies that one EWR credit is awarded for each MWh of electricity saved through EWR programs.
- Section 89 has been revised to specify that fixed-per meter charges may vary by rate class, and that after January 1, 2021, EWR charges will no longer be itemized on customer bills. Finally, after April 20, 2017, the cap on the percentage of total utility retail sales revenue a natural gas provider or an electric provider may spend to comply with the EWR standard is eliminated.

## Discussion

Given the evolution in implementation of Act 295 over the past eight years, considering the changes required by Act 342, and the intersection of EWR with the integrated resource plans (IRPs) required under Section 6t of 2016 PA 341, MCL 460.6t (Act 341), the Commission finds that a review of expectations for the EWR program going forward may be of value for providers submitting EWRPs or amendments in 2017.

### 1. Plans, Plan Amendments, and Annual Reports

Under Act 342, currently approved EOPs continue as EWRPs, subject to amendment.

Forward-looking, biennial EWRPs are still required of all providers, and the Commission observes that the template contained in Attachment E to the Temporary Order has worked well as a

framework for plan filings. The Commission therefore recommends that providers continue to use the model contained in Attachment E to the Temporary Order for future EWRPs.

Because EWRP amendment cases are 90 day cases, the Commission finds that providers intending to amend their plans shall provide notice in the docket at least 30 days prior to filing a plan amendment. In addition, although the Commission recognizes that technologies and circumstances can evolve rapidly in the EWR area, given the short timeframe for plan amendments, providers are discouraged from filing significant amendments during a biennial review year. Going forward, if a provider wishes to amend its plan within 120 days of a biennial filing, the amendment and plan will be separately docketed and joined in the plan proceeding, without the 90-day limit, as has been the practice in REP plan and amendment cases.<sup>3</sup>

Under Act 295, customer class funding for EOPs was to be used, to the extent possible, to cover the cost of programs “for” that customer class. Under Act 342, this language was altered to permit funding to be used “for the benefit of” that customer class. In light of this change in the statutory language, the Commission finds that a provider may, under Act 342, propose to allocate a certain portion funds collected from one customer class to programs for another customer class, if the provider can demonstrate that the benefit to the customer class that provided the funds meets or exceeds the amount of surcharge revenue transferred from that customer class. Until the Commission has an opportunity to evaluate the efficacy of these transfers, the Commission will address any proposals on a case-by-case basis.

Although Act 342 appears to provide some additional flexibility with respect to the allocation of program funds, providers should nevertheless be mindful that the 3% limitation on spending for

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<sup>3</sup> Given the unique circumstances in 2017 and the need for EWRP updates in recognition of the effective date of Act 342, the Commission will make an exception to these filing requirements and accept 2017 plan amendments which are filed within 120 days of the 2018-2019 biennial plan filing.

educational/behavioral programs continues and that significant reductions in low-income program funding could render a plan unreasonable under MCL 460.1073(2)(d). *See*, April 12, 2012 order in Case No. U-16671. Accordingly, the Commission encourages utilities to engage with stakeholders in developing biennial plans and make efforts to coordinate offerings with agencies that provide low-income energy assistance (including the Michigan Energy Assistance Program), identify households in need, and provide additional assistance that helps households become self-sufficient. In addition, the Commission reaffirms its determination in the June 3, 2010 order in Case No. U-15806, that providers may change spending for programs within a customer class by up to 30% without the need to file a plan amendment. The Commission also finds that the 5% spending limitation on pilot programs may be reevaluated in the context of plans or plan amendments. In other words, if a provider can demonstrate that additional spending for pilot programs is reasonable, such spending may be approved.

Annual reports required under Section 97 of Act 295, for rate-regulated utilities are essentially a review of the previous year's EWR costs and reductions in energy use. Section 97(2) mandates that annual reports include:

- (a) The amount of energy waste reduction achieved during the reporting period.
- (b) Expenditures made in the past year and anticipated future expenditures to comply with this subpart.
- (c) Any other information that the commission determines necessary.

Going forward, the Commission finds that each providers shall include complete annual EM&V reports (not just summaries) for the provider's entire portfolio of programs. The Commission notes that this is consistent with the requirement under Section 71(4)(i) that "evaluations are subject to public review and commission oversight."

Finally, although the cap on energy efficiency spending is eliminated, EWR portfolios, excluding low-income programs, must still be cost-effective as measured by the utility system resource cost test (USRCT).

## 2. Evaluation, Measurement, and Verification and Michigan Energy Measures Database

Since the enactment of Act 295, the MEMD has had several updates to deemed savings<sup>4</sup> for existing energy efficiency measures along with the addition of deemed savings for new measures. While the Commission recognizes that deemed savings under the MEMD will continue to be an important part of EWR planning and evaluation, because energy efficiency will increasingly be relied upon as a capacity resource, it is essential that actual energy savings from EWR programs are rigorously and accurately determined and continuously verified. In addition, because EWR will be a critical part of utility IRPs and because energy savings continue to be the metric used under Act 342 for rewarding electric and gas utilities for engaging in EWR, accurate assessments of energy savings help ensure ratepayer dollars are spent prudently.

Accordingly, the Commission directs the EO Collaborative to maintain the integrity of the MEMD by: (1) continuing annual reviews that reflect changes in laws, codes, and standards; (2) performing EM&V of existing MEMD savings values according to state-of-the-industry standards; and (3) holding new measures to a high degree of certainty in proving energy savings.

The Commission also finds that multipliers applied to MEMD savings values for various purposes may no longer be appropriate, because while some may be beneficial in promoting energy efficiency (e.g., by allowing for more cost effective promotion of high-cost or underutilized measures), these “bonus” savings are not suitable for inclusion in the upcoming IRPs, which will

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<sup>4</sup> Deemed savings are a set of predetermined savings values for energy efficiency measures that are developed from commonly accepted data sources, analytical methods, and evaluations that are updated and maintained in the MEMD.

model and rely on actual energy savings. The Commission further finds that revisiting NTG values for measures that provide a majority of EWR program savings is appropriate to ensure that the savings from EWR programs may be dependably used as energy and capacity resources.

### 3. Financial Incentives

As the Commission previously determined, a provider may propose a financial incentive at the same time that it files its EWRP; however, the financial incentive is not part of the plan; it remains subject to the Commission's approval, and the award may not be collected before actual energy savings are demonstrated. Accordingly, the Commission's practice has been to approve an incentive mechanism in a plan or amendment case and authorize the award after an annual reconciliation shows the amount of actual energy savings achieved in the previous year.

Since the enactment of Act 295, the Commission has included various energy savings multipliers as incentives for the implementation of long-life and market transformation measures. In addition, the Commission has made the achievement of the full financial incentive contingent upon meeting certain program goals such as expanding low-income programs and coordinating offerings with low-income agencies to leverage funding, matching programs with other utilities' programs to provide consistency in rebate amounts, promoting deep energy savings, and reducing peak demand. While the Commission expects that EWRPs will continue to focus on these areas, in light of the significant changes in EWR technologies, the substantial increase in the maximum amount of the financial incentive, along with the other changes to EWR in Acts 341 and 342, the Commission finds that these additional performance metrics should be reevaluated.<sup>5</sup> Thus, in their 2017 plan cases, for the incentive for the period after the effective date of Act 342, the parties may propose mechanisms that include the same or additional program goals as part of the financial

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<sup>5</sup> The Commission approved metrics for 2016-2017 financial incentives as part of the 2015 biennial plan review process.

incentive. Eligibility for receiving a financial award depends upon achieving the specified net energy savings indicated in Act 342, but the details of the incentive structure will continue to be developed in EWRP cases.

#### 4. Integration of Energy Waste Reduction Plans with Integrated Resource Plans

Section 6t of Act 341 provides for integrated resource planning and, with respect to energy efficiency, requires the Commission to undertake both an EWR potential study and a demand response potential study by August of 2017, and update the studies every five years. Beginning in 2019, all electric utilities are required to file IRPs that model, among other things, energy and capacity requirements over various time horizons under various scenarios. The EWR potential study will presumably provide insight into the cost and achievability of EWR, and providers should be mindful that by 2019, EWRPs should substantially conform to the results of the potential study and to the provider's IRP

#### 5. Other Issues

Although calculation of energy savings targets for electric is straightforward, the Commission observes that there is still not a consistent method for calculating natural gas savings targets considering the proration of available funds for large transportation-only customers. The Commission therefore encourages the Staff and providers to develop a uniform method for computing gas savings targets considering the funding limitations for the large transportation-only class.

In the Temporary Order, the Commission encouraged providers to work with Michigan Saves to provide on-bill financing. Part 7 of Act 342, MCL 460.1201 *et seq.* explicitly provides a statutory procedure by which providers may offer a residential energy project financing program. The Commission again urges providers to avail themselves of the opportunity to offer this type of



program to customers. The Commission will promulgate rules pursuant to Act 342, with respect to on-bill financing.

6. 2018-2019 Biennial Plans

Attachment A to this order provides the docket numbers and filing due dates for the next EWRP filings. In the event a filing deadline falls on a weekend, the Commission directs each listed rate-regulated utility to file its EWRP application on the following business day. A provider electing to use the independent energy optimization program administrator (Efficiency United) shall file a copy of its Notification of Intent to Elect Efficiency United in lieu of an EOP in its assigned docket. The Commission shall issue another order assigning docket numbers and specifying filing dates for EWRP reconciliations, where applicable, and annual reports.

THEREFORE, IT IS ORDERED that each utility listed in the caption of this order is directed to file its energy waste reduction plan in the docket number listed on Attachment A.

The Commission reserves jurisdiction and may issue further orders as necessary.

MICHIGAN PUBLIC SERVICE COMMISSION

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Sally A. Talberg, Chairman

By its action of March 28, 2017.

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Norman J. Saari, Commissioner

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Kavita Kale, Executive Secretary

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Rachael A. Eubanks, Commissioner

2017 Biennial Plan Filing Dockets			
	COMPANY	2017 Biennial Plan Docket No.	2017 Biennial Plan Due Date
<b>IOUs</b>			
1	Alpena Power Company	U-18260	7/3/2017
2	Consumers Energy Company	U-18261	8/1/2017
3	DTE Energy - ELECTRIC	U-18262	7/3/2017
4	Indiana Michigan Power Company	U-18263	8/1/2017
5	Northern States Power Company-Wisconsin	U-18264	7/3/2017
6	Upper Peninsula Power Company	U-18265	7/3/2017
7	Wisconsin Public Service Corporation	U-18266	7/3/2017
8	Wisconsin Electric Power Company	U-18267	7/3/2017
<b>Co-ops</b>			
9	Alger Delta Cooperative Electric Association	U-18271	8/1/2017
10	Bayfield Electric Cooperative	U-18272	8/1/2017
11	Cherryland Electric Cooperative	U-18273	8/1/2017
12	Cloverland Electric Cooperative	U-18274	8/1/2017
13	Great Lakes Energy Cooperative	U-18275	8/1/2017
14	Midwest Energy Cooperative	U-18276	8/1/2017
15	Ontonagon Co. Rural Electrification Assoc.	U-18277	8/1/2017
16	Presque Isle Electric and Gas Co-op	U-18278	8/1/2017
17	Thumb Electric Cooperative	U-18279	8/1/2017
18	Tri-County Electric Cooperative	U-18280	8/1/2017
<b>Municipals</b>			
19	Village of Baraga	U-18281	8/1/2017
20	City of Bay City	U-18282	8/1/2017
21	City of Charlevoix	U-18283	8/1/2017
22	Chelsea Department of Electric and Water	U-18284	8/1/2017
23	Village of Clinton	U-18285	8/1/2017
24	Coldwater Board of Public Utilities	U-18286	8/1/2017
25	Croswell Municipal Light & Power Department	U-18287	8/1/2017
26	City of Crystal Falls	U-18288	8/1/2017
27	Daggett Electric Department	U-18289	8/1/2017
28	Detroit Public Lighting Department	U-18290	8/1/2017
29	City of Dowagiac	U-18291	8/1/2017
30	City of Eaton Rapids	U-18292	8/1/2017
31	City of Escanaba	U-18293	8/1/2017
32	City of Gladstone	U-18294	8/1/2017
33	Grand Haven Board of Light and Power	U-18295	8/1/2017
34	City of Harbor Springs	U-18296	8/1/2017
35	City of Hart Hydro	U-18297	8/1/2017
36	Hillsdale Board of Public Utilities	U-18298	8/1/2017
37	Holland Board of Public Works	U-18299	8/1/2017
38	Village of L'Anse	U-18300	8/1/2017
39	Lansing Board of Water & Light	U-18301	8/1/2017
40	Lowell Light and Power	U-18302	8/1/2017
41	Marquette Board of Light and Power	U-18303	8/1/2017
42	Marshall Electric Department	U-18304	8/1/2017
43	Negaunee Department of Public Works	U-18305	8/1/2017
44	Newberry Water and Light Board	U-18306	8/1/2017
45	Niles Utility Department	U-18307	8/1/2017
46	City of Norway	U-18308	8/1/2017
47	City of Paw Paw	U-18309	8/1/2017
48	City of Petoskey	U-18310	8/1/2017
49	City of Portland	U-18311	8/1/2017
50	City of Sebewaing	U-18312	8/1/2017
51	City of South Haven	U-18313	8/1/2017
52	City of St. Louis	U-18314	8/1/2017
53	City of Stephenson	U-18315	8/1/2017
54	City of Sturgis	U-18316	8/1/2017
55	Traverse City Light & Power	U-18317	8/1/2017
56	Union City Electric Department	U-18318	8/1/2017
57	City of Wakefield	U-18319	8/1/2017
58	Wyandotte Department of Municipal Service	U-18320	8/1/2017
59	Zeeland Board of Public Works	U-18321	8/1/2017
<b>Retail Rate-Regulated Natural Gas Prov.</b>			
60	Consumers Energy Company (joint filing)	U-18261	8/1/2017
61	DTE Energy - GAS	U-18268	7/3/2017
62	Michigan Gas Utilities Corporation	U-18269	7/3/2017
63	Northern States Power Co-Wisc.(joint filing)	U-18264	7/3/2017
64	SEMCO Energy, Inc.	U-18270	7/3/2017
65	Wisconsin Public Serv. Corp.(joint filing)	U-18266	7/3/2017