MPSC
MICHIGAN PUBLIC SERVICE COMMISSION

2021 & 2022 Utility Energy Waste Reduction Programs

Annual Report on the Implementation of PA 295

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Executive Summary

Michigan's Energy Waste Reduction (EWR) standard, created under Public Act 295 of 2008, as amended by Public Act 342 of 2016, also known as the *Clean And Renewable Energy And Energy Waste Reduction Act*, required all natural gas and electric utility providers in the state to implement programs for their customers to reduce overall energy usage by specified targets, in order to reduce the future cost of service to utility customers. As of December 31, 2021, only those natural gas and electric utility providers whose rates are regulated by the Michigan Public Service Commission are legislatively required to implement EWR programs for their customers.

In 2022, the Commission approved 10 EWR annual reconciliation case filings for program year 2021. Almost all Michigan utility providers have consistently reached their annual required EWR targets since 2009, and in most cases continue to exceed the statutory requirement. Electric providers met a combined average of 200% of their electric energy savings targets, up from 165% of targets in 2021, resulting in electric savings of more than 1.83 million megawatt hours (MWh). On the gas side, providers achieved 132% of their natural gas energy savings targets, a slight drop from 142% in 2021, with natural gas savings totaling over 6.22 million Mcf (thousand cubic feet) for program year 2021. For every dollar spent on EWR programs in 2021 and 2022 is expected to result in customer savings of $2.73 and $2.68, respectively.

In 2023, 10 utility providers filed EWR annual reconciliation cases for program year 2022. Providers met a combined average of 198% of their electric energy savings and 132% of their natural gas energy savings, both of which were essentially the same as the previous year. EWR programs across the state accounted for electric savings totaling over 1.6 million MWh and natural gas savings totaling over 6.33 million Mcf for program year 2022.

PA 295 requires that all programs be cost effective by meeting the Utility System Resource Cost Test (USRCT). All programs offered during 2021 and 2022 were cost effective and had a USRCT score of 1.00 or greater. The electric utility providers averaged a UCT score of 3.5 and 2.3 while the natural gas providers averaged a UCT of 2.3 and 1.9 for 2021 and 2022 respectively.

Introduction

Section 97(4) of Public Act 295 of 2008, as amended by Public Act 342 of 2016 (Act 295 or the Act) requires that the Michigan Public Service Commission (MPSC or Commission) submit to the standing committees of the Senate and House of Representatives with primary responsibility for energy issues an annual report that evaluates and determines whether Subpart C of the Act has been cost-effective. The report may include any recommendations of the MPSC for EWR legislation. The last annual report the MPSC published was dated February 15, 2022; this report provides an update on 2021 and 2022 EWR programs since the last report's publication.

In 2021 and 2022, there were six natural gas investor-owned utilities (IOU) and eight electric investor-owned utility providers with approved EWR plans. Four electric utilities and three natural gas utilities in Michigan formally coordinate the design and implementation of their EWR programs through a collaborative process with Efficiency United, in order to reduce costs, create consistency, and improve understanding of program offerings. Four electric companies and three natural gas companies independently administered their own programs. To the extent feasible, the utility providers that independently administered their programs tried to align with the program design offered by the collaborating utility providers' programs to improve customer and contractor participation and satisfaction.

Program Offerings

All natural gas and electric utility customers in Michigan, served by regulated utility providers, are able to participate in energy efficiency programs. New programs and emerging technologies are continuously being introduced as pilot programs, which enable utilities to phase in the implementation of new technologies, expand existing programs, and offer new features. In general, individual programs are divided into two broad categories: residential and commercial/industrial. Residential programs consist of six major categories: lighting; heating, ventilating and air conditioning (HVAC); weatherization; energy education; appliance recycling; and pilot programs. Commercial/Industrial offerings include prescriptive and custom programs. Prescriptive programs provide rebates for specific equipment replacement such as lighting, boilers, pumps, and compressors. Custom programs generally provide a rebate per kWh of electricity savings or per Mcf of natural gas savings for a comprehensive system or industrial process improvement.

Energy Savings Targets

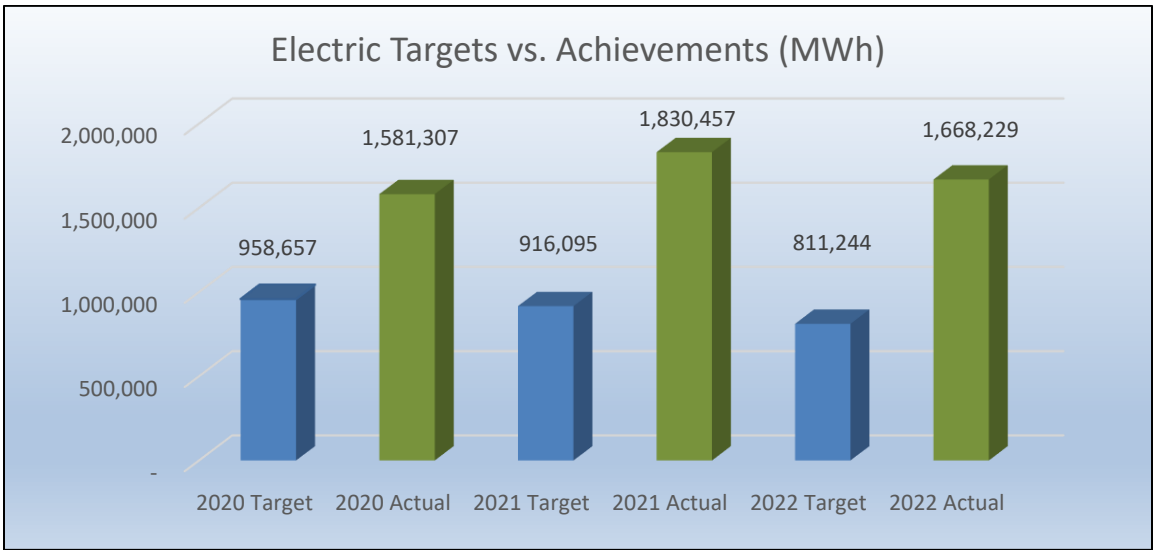
Section 77 of PA 342 provides annual energy savings targets for electric and natural gas utilities. The minimum savings targets are based upon a percentage of previous calendar-year retail sales for each utility. Utility providers successfully complied with the energy savings targets laid out in the Act. EWR programs across the state accounted for annual electric savings totaling 1.83 million MWh, and natural gas savings totaling 6.22 million Mcf for 2021. In 2022, EWR programs accounted for annual electric savings totaling 1.6 million MWh, and natural gas savings totaling 6.33 million Mcf. In 2021 and 2022, electric EWR programs and measures had an average measure life of 10.33 years and 9.57 years for electric programs and 12.52 years and 11.98 years for natural gas programs, respectively, equating to a realized lifetime savings of 18.8 million MWh and 15.3 million MWh for electric programs respectively.

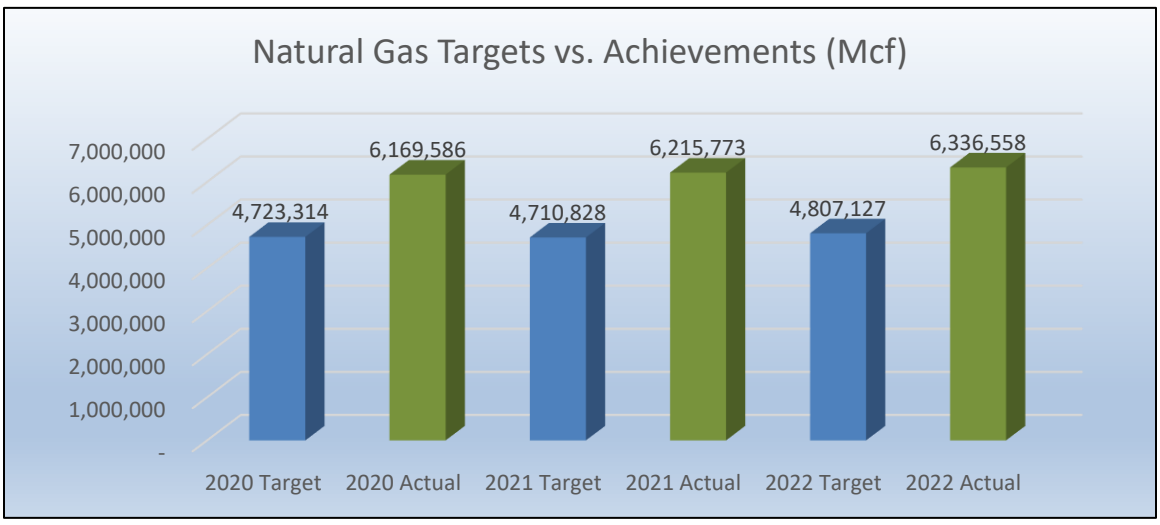
In 2021 and 2022, natural gas EWR programs realized lifetime savings of 77.87 million and 75.6 million Mcf respectively. *Figure 1* below depicts the electric and gas savings targets versus achievements for the past three years. 2021 and 2022 savings equate to electric utility providers achieving 200% and 198% of the legislative target and natural gas utility providers achieving 132% and 132% of their legislative target, respectively.

These energy savings targets continue for investor-owned utilities whose rates are regulated by the Commission. The targets are complemented by the requirement under Act 341 of 2016 that EWR be included in utility integrated resource planning, and the incentives included in PA 342 of 2016 for EWR performance above the statutory minimum. 2021 was the last year municipal and cooperative utilities were legislatively required to achieve energy savings targets and achievements. Although the cooperatives and the municipalities were not required to report energy savings for 2021, any performance numbers voluntarily reported to the Commission are included in the achievements below.

Figure 1

Electric and Gas Targets vs. Actual Savings Achieved





EWR Surcharges and Program Funding

The Act requires utilities to specify necessary funding levels for the activities being proposed. Commission-regulated utility providers can recover their EWR program expenditures through a customer surcharge approved by the Commission. Surcharges approved by the Commission are assessed on either an energy usage basis or a per meter basis. Residential customers are charged based on their energy usage. The average electrical residential customer pays around $2.32 per month for the electric EWR surcharge, and around $2.37 per month for the natural gas EWR surcharge. Generally, a commercial and industrial electric or natural gas customer's EWR surcharge is based on a per meter charge. ***Figure 2*** depicts total actual expenditures for the past three years by utility provider type.

Figure 2

Energy Waste Reduction Program Funding

Utilities	Annual Expenditures		
	2020	2021	2022
Electric Companies			
Electric IOU's	$276,722,438	$351,737,106	$371,469,799
Electric Cooperatives	$7,761,216	$7,748,425	N/A
Electric Municipalities[1]	$9,835,981	$11,471,004	$7,754,775
Total Statewide Electric	**$294,319,635**	**$370,956,535**	**$379,224,574**
Gas Companies			
Total Statewide Gas	**$125,101,565**	**$127,149,123**	**$145,897,419**
Total Gas and Electric	**$419,421,200**	**$498,105,658**	**$517,367,218**

Program Benefits

In 2021, aggregate EWR program expenditures of $498 million by all the natural gas and electric utilities in the state were estimated to result in lifecycle savings to customers of $1.36 billion. For every dollar spent on EWR programs in 2021, customers should realize benefits of $2.73. Data provided to the Commission in EWR provider annual reports indicated that EWR resources were obtained at a cost of $24.79/MWh, which is less expensive than supply side options, such as new natural gas combined cycle generation costing around $40/MWh.[2] Similarly, in 2022, aggregate EWR program expenditures of $517 million by all natural gas and electric utilities in the state were estimated to result in lifecycle savings to customers of $1.39 billion. For every dollar spent on EWR programs in 2022, customers should realize benefits of $2.68. Data provided to the Commission in EWR provider annual reports indicated that EWR resources were obtained at a cost of $24.12/MWh.

The benefits of the EWR program will flow to customers over the lifespan of the efficiency measures implemented during the year. The direct benefits are reduced utility cost of service, which would otherwise be recovered in utility rates. These

[1] Information provided to the MPSC on a voluntary basis by some municipalities is included in this report. This information was provided by some utilities that have continued to provide energy waste reduction services and/or chose to provide this information.

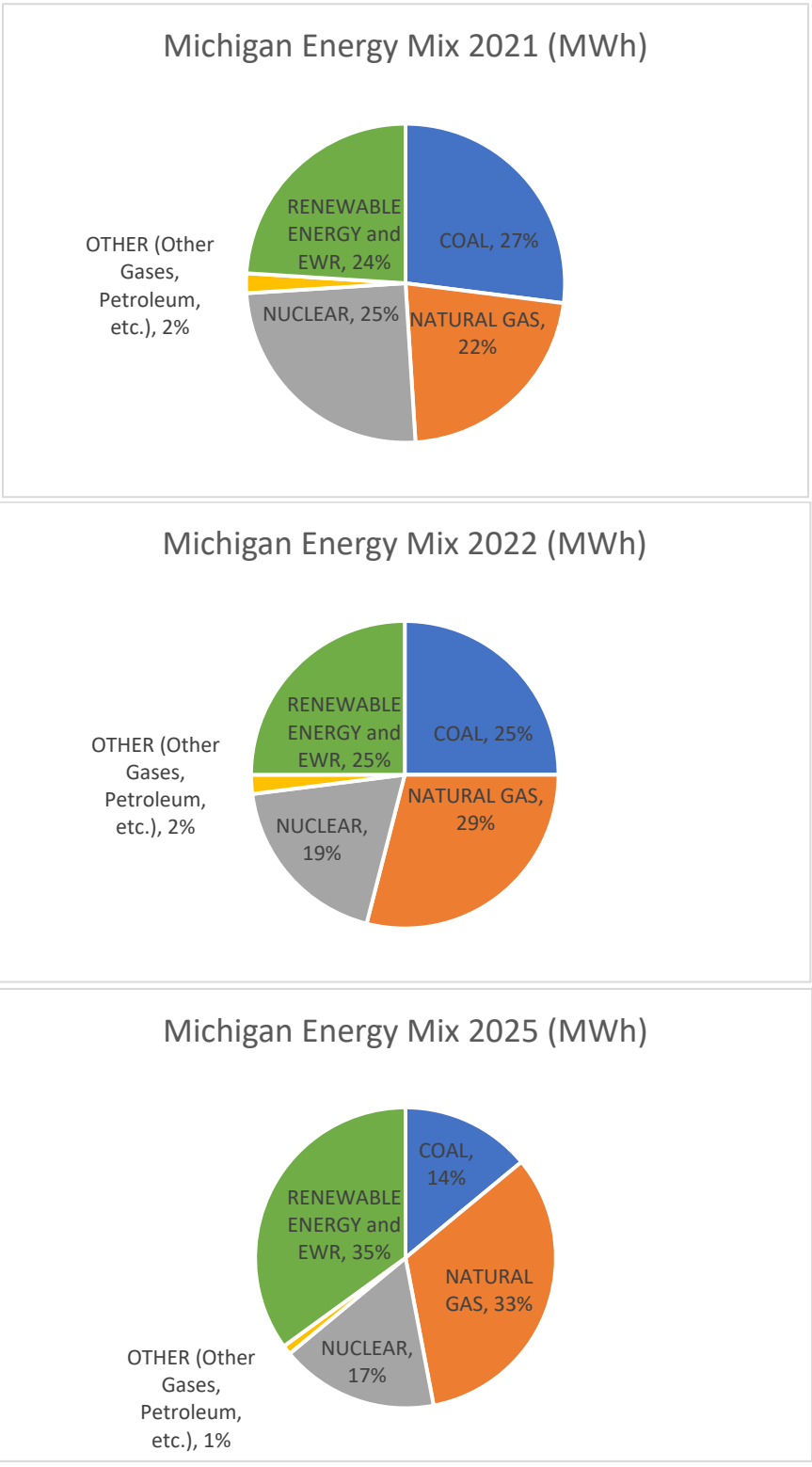
[2] *Source: U.S. Energy Information Administration Annual Energy Outlook 2020*

savings are the avoided costs to utilities and are calculated based on the energy savings identified for individual energy efficiency measures as reflected in the Michigan Energy Measures Database, described below. The cumulative reduction in customer demand for electricity has resulted in reduced cost of service, largely by lessoning the need to build new electric generation plants. In addition, the Act includes a goal of meeting not less than 35% of this state's electric needs through a combination of energy waste reduction and renewable energy (RE) by 2025.[3] The chart in *Figure 3 compares the current energy mix with the projected energy mix expected* in 2025 for Michigan.

[3] *Source: PA 295 as amended by PA 342*

Figure 3

Michigan's Electric Resource Mix – 2021 and 2022 vs. Projected 2025



*Includes the full generating output of the Cook Nuclear Plant units. *Demand Response is not included in the EWR percentage.*

There are other benefits of EWR programs besides delaying or eliminating the need for building new generation. Both the electric and natural gas EWR programs also result in hundreds of millions of dollars in fuel cost savings that would have otherwise been spent in order to import energy into Michigan. EWR programs also increase demand for energy efficiency equipment and installations from local businesses. In addition, the benefits flowing to Michigan utility customers via the EWR programs should help reduce utility uncollectible expenses and lower operating costs for Michigan businesses and institutions. Other non-energy benefits for Michigan residents include improvements in health and safety and increased comfort in their homes and businesses, as well as a reduction in environmental pollutants from electric generation.

Cost Effectiveness

There are multiple ways to calculate the cost effectiveness of utility energy efficiency programs. Simply stated, the overall benefits should outweigh the overall costs. The Act requires providers to meet the Utility System Resource Cost Test (USRCT or UCT). Utilities assess the cost effectiveness of their programs during the plan development stages. The UCT score compares the program administrator costs to supply-side resource costs. It ensures the benefits outweigh the energy- and capacity-related avoided costs, the program overhead costs, and the incentives paid to the customer by the utility. A score of 1.0 or greater in this test (benefits are equal to or greater than the costs) indicates a cost-effective program.

Section 97 of the Act requires the Commission to evaluate and determine whether the energy waste reduction programs were cost-effective on an overall portfolio level. The electric utility providers programs collectively had an average UCT score of 3.5 and 2.3, while the gas utility providers programs averaged a score of 2.3 and 1.9 for program years 2021 and 2022, respectively.

State Administrator: Efficiency United

The Act created an option for electric and natural gas providers to offer energy waste reduction services collectively through a program administrator. Section 91(6) requires the administrator to be a 'qualified nonprofit organization' selected by the MPSC through a competitive bid process. To fund the program, the administrator is paid directly by the participating providers using funds collected from customers.

Michigan Community Action (MCA) is under contract as the State Administrator and its team of contractors operate under the brand name of Efficiency United (EU). This contract runs through December 31, 2025. Services and offerings are similar to, and coordinated with, those of other providers around the state. The EU program has successfully been able to provide programs and achieve savings targets equivalent to those implemented by independent utility providers.

Programs for Low-Income Customers

The Act speaks to the importance of EWR program offerings for low-income residential customers. All customer classes must contribute proportionally to low-income program costs based on their allocation of the utility's total EWR budget. Low-income EWR programs are excluded from the requirement to meet

the UCT or cost-benefit test. In 2021, $68,627,103 was spent on programs for income-qualified customers reaching a statewide lifetime energy savings of 345,845 MWh for those electric customers and 3,298,842 MCF for those gas customers. In 2022, that number reached $101,201,098 spent on programs for income-qualified customers bringing the lifetime energy savings up to 592,262 MWh for electric customers and 4,962,398 MCF for gas customers. This is almost four times higher than what was spent in 2016 just prior to the creation of the Energy Waste Reduction Low-Income Workgroup (EWR Low-Income). In 2022, utilities spent 20% of their total program budget on low-income programs. This represents more than twice the budget allocated for low-income programs in 2016. The EWR Low Income Workgroup is described in detail in the following section, can be credited with reaching this milestone.

Michigan customers at or below 200% of the federal poverty level qualify for these programs. Alternatives to selecting customers for these programs have allowed the utilities to implement programs in the once-hard-to-penetrate multi-family housing stock. Flexibility in implementation of low-income programs have also allowed utilities to assist Michigan's middle to low-income customers who generally would not otherwise be able to afford to participate in these programs. Implementation of these programs generates different challenges. The uniqueness of single-family homes and multi-family housing, along with the funding necessary to achieve savings for these customers, requires the utilities to continually assess and redesign the program offerings, including working collaboratively with diverse low-income stakeholder organizations.

In recent years, greater attention has been focused on extending EWR programs to those who were previously deemed ineligible due to needing asbestos remediation, mold remediation, roof repair, or other structural home repairs. Currently, U.S. Department of Energy rules do not allow Weatherization Assistance Program funding to be spent on these underlying issues. As such, other funding sources need to be used for health and safety upgrades in order to allow for needed energy waste reduction improvements. Informed by the Health and Safety subcommittee of the EWR Low-Income Workgroup, collaborations between utilities, the local Community Action Agency, and 3rd-party stakeholders were able to identify funding and programming to enable participation of those customers who had previously been excluded from EWR and other programs. Currently all utilities are implementing some form of a Health and Safety Pilot to address these underlying issues and allow for customers who have paid into the program since its inception to receive the necessary energy efficiency measures along with creating a safer and cleaner living environment.

Energy Waste Reduction Low-Income Workgroup

In 2017, the Energy Waste Reduction section of the MPSC Staff created the EWR Low-Income Workgroup to convene EWR staff and other state agencies, utilities, and stakeholder groups to better address low-income-specific energy waste reduction approaches and launch new, innovative initiatives tailored to the unique needs of Michigan's low-income customers and communities. A customer who endures an energy burden are typically spending more than 6% of their household resources on energy bills. Energy burdens typically affect low-income individuals; Black, Indigenous, People of Color (BIPOC); renters; and older adults. Nearly 25% of

Americans face high energy burdens,[4] including disproportionately higher percentages of low-income individuals, BIPOC individuals, renters, and older adults. The MI Healthy Climate Plan includes a goal to "limit the energy burden from powering and heating homes to not more than 6% of annual income for low-income households."[5]

The EWR Low-Income Workgroup began in April of 2018. It is a stakeholder-driven collaborative with the aim of applying energy efficiency expertise with weatherization, housing, health, and environmental and economic expertise to ensure more meaningful and longer lasting impact on the State's most vulnerable citizens than would be possible if working independently. Prioritizing environmental justice and community engagement are active goals of the EWR Low Income Workgroup along with hosting discussions around the MI Healthy Climate Plan, which was released in April of 2022.

The number of participants and stakeholder involvement in the EWR Low-Income Workgroup continued to grow throughout 2021 and 2022. As of fall 2023, over 140 distinct organizations and 426 participants are represented in the Workgroup, a significant increase over previous years. All of Michigan's regulated utilities participate, as do numerous municipal and cooperative utilities. Also active in the Workgroup are many of Michigan's state agencies, including several separate divisions of the Michigan Department of Health and Human Services (DHHS), the Michigan State Housing Development Authority (MSHDA), and the Michigan Department of Environment, Great Lakes and Energy (EGLE).

Details about the work of the EWR Low-Income Workgroup, low-income collaborative projects, and stakeholder information can be found on the EWR Low Income webpage.

Self-Directed EWR Program

Under Section 93 of the Act, large electric customers that meet certain eligibility requirements may create and implement their own customized EWR plan consistent with the provisions of the Act, and thus be exempt from paying an EWR surcharge, except for a portion to support the costs of income-qualified programs. Electric customer eligibility to participate in the self-directed EWR plans is determined by the customer's annual peak demand. The Act allows customers with at least 1 MW aggregated annual peak demand during the preceding year within a service provider's territory to participate. The number of customers enrolled to self-direct their own EWR program is at 11 as of 2022 (shown in *Figure 4)*. Energy savings for these self-directed large commercial and industrial customers are reported to their utility provider and the utility provider includes these savings in their annual savings achievements.

[4] American Council for an Energy-Efficient Economy (ACEEE), How High are Household Energy Burdens? (energy.gov)

[5] Michigan Department of Environment, Great Lakes, and Energy, MI Healthy Climate Plan, April 2022. Available at https://www.michigan.gov/egle/-/media/Project/Websites/egle/Documents/Offices/OCE/MI-Healthy-Climate-Plan.pdf.

Figure 4

Number of Self-Directed Large Commercial and Industrial Customers

Provider	Peak Year 2010	2020	2021	2022
DTE Electric	26	3	3	3
Consumers Energy	30	3	3	3
Upper Peninsula Power Company (UPPCO)	0	0	1	1
Efficiency United	11	3	3	4
TOTAL	**67**	**9**	**10**	**11**

MPSC Energy Waste Reduction Collaborative

In Case Numbers U-15805 and U-15806, the Commission directed the MPSC Staff to establish a statewide energy waste reduction collaborative, which requires the participation of all natural gas and electric providers and allows for a variety of additional stakeholders to participate. A key goal of the collaborative is to reduce the extent and cost of the formal contested hearing process through stakeholder consensus and industry peer review of standards and procedures. The collaborative identifies recommendations to improve EWR plans for all providers, offers program evaluation and support, and develops any necessary redesign improvements to energy efficiency programs. Although municipalities and cooperative electric providers have been released from legislatively required EWR programs, the EWR collaborative remains a publicly open and inclusive workgroup. Select members of this group meet to serve as the Michigan Energy Measures Database Technical Subcommittee.

Michigan Energy Measures Database

Measurement and verification are essential tools in improving EWR programming. In 2009, Michigan established a foundational database of projected energy savings that was informed by other states' experiences. By incorporating data derived from Michigan weather stations, program implementation, and specialized evaluation studies, the database evolved into the Michigan Energy Measures Database (MEMD).

The objective of the MEMD is to provide users with accurate information on energy savings associated with technologies or measures that could be used in energy efficiency programs. The MEMD is also used to prioritize the allocation of funding toward these possible measures. For this critical function, it is important to utilize Michigan-specific data in the MEMD. Thus, under the direction of Commission Staff, stakeholders participate in monthly collaborative meetings developing recommendations to update this database. The collaborative has developed an annual process for selecting the highest priority measures to update with Michigan-specific data. For the selected measures, field studies are undertaken in customer homes and businesses using data collection equipment, such as light loggers and sub-metering, and an engineering analysis is performed to obtain reliable measurement of the actual energy consumption.

The MEMD is a public document that can be utilized by municipalities and cooperatives to develop EWR programs and measures they may still be implementing. As a public document that is updated and released annually, it is available for use and review by other states, implementation contractors, and other state agencies. The MEMD is unlike other Technical Resource Manuals (TRM) in that it is updated annually and prioritizes Michigan-specific data.

EWR Credit Tracking System

Section 87 of the Act requires the Commission to establish an energy waste reduction credit certification and tracking program and allows the program to be contracted to and performed by a third party through a system of competitive bidding. Because there was already an established program for tracking renewable energy credits through the Michigan Renewable Energy Credit System (MIRECS), a credit tracking program established and contracted with APX, launching a tracking program for EWR credits, was efficiently and effectively implemented. All regulated electric and natural gas utility providers have been able to input their credits earned and have utilized the EWR credit tracking program to demonstrate compliance in the system since 2017. This system now provides for a more formal process to track EWR credits earned, utilized, and transferred to renewable energy credits. The law also allows for credits to be carried forward to meet a maximum 1/3 of the subsequent year's compliance requirements.

Revenue Decoupling

PA 295 authorizes the Commission to establish a revenue decoupling mechanism (RDM) upon request by those natural gas utilities that have implemented an Energy Waste Reduction program. The Commission may authorize an alternative mechanism that it deems to be in the public interest. Through the contested case process, a utility company can request an RDM to help recover lost sales from required programs or services that reduce that company's overall revenue. While the Commission has approved RDMs for gas utilities in the past, currently only DTE has an active RDM.

In 2016, PA 341 gave authorization to the Commission to approve an appropriate RDM for an electric utility with less than 200,000 customers in Michigan that adjusts for decreases in actual sales compared to the projected levels used in that utility's most recent rate case. Those incremental decreases in actual sales must stem from implemented energy waste reduction programs and measures. Currently, the Indiana Michigan Power Company is the only electric provider with a Commission-approved RDM.

Financial Incentive Mechanism

Section 75 of PA 342 allows Commission-regulated utilities to request a financial incentive payment for exceeding the energy savings targets each plan year. There are currently six utilities that have requested and received approval for a financial incentive mechanism. The Act allows for an incentive of up to 20 percent of program spending for exceeding the statutory requirements. Each utility must first exceed the required first year savings level plus meet a set of utility-specific program metrics to receive their award. An example of a program metric is meeting a required level of

lifetime savings, which requires the utilities to focus on measures that have longer lives for their customers, such as high-efficiency appliances, air sealing, and insulation. Other metrics involve greater low-income savings targets or spend, and multi-family home initiatives. The development of the incentive metrics takes place in the Company's biennial plan filing and serves to improve the measures and program offerings for the customers. Offering energy efficiency incentives to utility companies puts energy efficiency on par with supply-side investments. Many of Michigan's utilities strive to achieve the maximum incentive allowed under the Act and their customers reap the benefits with more robust program offerings and increased spending on low-income programming. The performance incentive has proven to be a driver in the success of Michigan's EWR programs since 2009 and encourages utility management support for these programs.

On Bill Financing (OBF)

In 2016, PA 295 was amended to allow utilities with rates regulated by the Commission to establish residential "on-bill financing" programs. These programs allow customers to pay back the cost of energy efficiency improvements over time on their utility bill. In December 2018, the Commission finalized the formal rulemaking process to amend the Commission's Consumer Standards and Billing Practices for Electric and Natural Gas Service to include on-bill financing provisions (MPSC Case No. U-20152). To date, no investor-owned utility offers an on-bill financing program. Expenses for billing upgrades and accounting for uncollected loans have driven regulated utility providers to partner with Michigan Saves, the nation's first nonprofit green bank established initially through a grant received by the MPSC. Michigan Saves can offer many of the benefits of on-bill financing, at low interest rates, for Michigan utility provider's customers. In addition, PA 408 of 2014 authorized municipalities served by a municipal electric utility to offer on-bill financing programs. A few Michigan municipal electric utilities, including the Holland Board of Public Works and Traverse City Light & Power, have partnered with Michigan Saves in establishing these programs.

Conclusion

Energy Waste Reduction programs have demonstrated success due to continued efforts by utilities, their EWR contractors and implementation allies, a broad range of stakeholders helping to inform utility offerings, and of course, utility customers. The 2021 and 2022 program years were no exception, with utilities meeting or exceeding energy savings targets. The ACEEE 2023 Utility Energy Efficiency Scorecard, which assesses and ranks the quality of 53 utility efficiency programs nationally, was released in August. The scorecard ranked Michigan's two largest utilities, DTE and Consumers Energy, in the 5th and 6th spots, respectively. With DTE and Consumers slated among the top performers across the nation, it is apparent that Michigan's utilities are excelling in the EWR program implementation as intended by the legislation. These programs are reducing energy consumption and subsequently lowering energy costs to Michigan residents and businesses.

The work of the EWR Workgroups and Collaboratives and the ongoing pilots and evaluation activities provide strong support for the evolution of the EWR programs and the ability to continue to achieve the statutory requirements in a cost-effective manner. The EWR programs continue to attract a wide range of customers from

low-income residential to large scale commercial and industrial businesses. Increasingly, large customers are relying on the utility programs instead of operating their own self-direct program.

There are broad benefits of the EWR programs. The cost of reducing energy waste is much lower than procuring other energy resources. Utilizing savings from utility annual reports and the average measure life of most energy efficiency applications, the Commission has found that EWR efforts can be credited for decreasing the need for over 2,000 MW of annual capacity. Put another way, Michigan's EWR programs have eliminated the need to construct multiple electric generating facilities at a fraction of the cost. Customers who participate in the program directly benefit by seeing reduced energy use and lower bills. EWR also provides a range of other benefits, such as reduced emissions and fuel cost savings. The EWR programs have also prompted the increased availability of higher efficiency equipment for homes and businesses. EWR can also increase the comfort, health, and safety of homes and businesses, and helps energy providers reliably meet the energy needs of their customers.

The Commission continues to explore ways to improve the savings and increased benefits of the programs for large and small utilities, while adapting the scope of the programs to meet the needs of all customers. This was displayed during the utility companies' integrated resource planning (IRP) processes. Those filings saw a number of utilities committing to greater EWR programming. Consumers and DTE have reached their committed step increase of up to 2% energy savings by 2021. Alpena and Northern States Power (Xcel Energy) have increased to 1.3% and 1.5% respectively in 2021, while the Upper Peninsula Power Company (UPPCO) has increased to 1.75% on an overall average between their 2-year program. The requirement under PA 341 of 2016 that IRPs expressly include EWR in the planning process, and the requirement that an IRP must represent the most reasonable and prudent means of meeting the electric utility's energy and capacity needs, has helped drive cost-effective EWR utilization above and beyond the minimum requirements included in statute.

As the Legislature considers changes to the statutory provisions that govern the Commission's EWR efforts, the Commission recommends that it build on the framework established in PA 295 and amended in PA 341 and 342. The combination of a statutory target, a robust approach to utility resource planning that allows for consideration of demand-side resources like EWR on an equal playing field with traditional supply-side generation resources, and incentives that help to align the interests of utilities with those of their customers are all helping to increase the utilization of EWR in Michigan. The Commission recommends the Legislature consider opportunities to improve cost-effective EWR programs by increasing the EWR standard for electric and gas utilities, aligning the financial incentives for higher performance with these increased standards, and encouraging continued best-in-class EWR performance by Michigan utilities. Furthermore, the Commission recommends continued inclusion of demand-side resources in electric utility integrated resource plans, including a requirement to model robust EWR performance as part of the development of these plans. Finally, the Commission recommends the Legislature consider including minimum statutory requirements for EWR programs targeted at low-income individuals while maintaining the flexibility in program design that has allowed utilities, the Commission, and a broad

range of stakeholders to develop and implement a series of creative EWR program offerings that holistically meet the unique needs of these low-income customers.

Michigan's EWR programs are among the best in the country. The Commission looks forward to being an active partner as the Legislature considers opportunities to build on this strong foundation in order to drive both energy savings and cost savings for Michigan families and businesses.