

To: Lynn Beck, Katie Smith, Roger Doherty, Michigan Public Service Commission

From: Will Supple, Neil Curtis, Debyani Ghosh, Wayne Leonard, Erin Day, Stu Slote, Guidehouse

Date: June 30, 2021

Re: Michigan Potential Study – June 17, 2021 Stakeholder Meeting Questions and Responses

Guidehouse provided stakeholders draft Potential Study results on June 17, 2021. During the presentation, we received initial feedback comparing the study's achievable potential results to some of Michigan's current utility program savings.

This memo provides Guidehouse's preliminary response to those stakeholder questions regarding draft potential future savings and current utility program savings. These, and all other questions and comments raised in the stakeholder meeting will be addressed in the draft report.

Guidehouse anticipates the draft report will be available for stakeholder review on July 30, 2021. Stakeholders should send additional feedback by July 1 to Michigan.energystudy@guidehouse.com to be incorporated into the draft report.

Achievable Potential Draft Savings Estimates and Calibration

Guidehouse received 2019 program results data from Michigan utilities that were used to develop achievable potential model calibration targets. The calibration process does not seek to replicate utility achievements exactly—due to measure list differences, per unit savings adjustments, and other input factors—however, the calibration year model results represent a reasonable alignment with recent utility savings.

Guidehouse calculated a statewide percent of sales calibration target of about 1.4% in 2019 for electricity, based on the utility-provided calibration data and sales forecast developed in earlier stages of the modeling process. While some utilities may have delivered electricity savings greater than this value for 2019, this potential study is not segmented at the utility level.

Draft results for electricity savings show statewide 2021 model results below the 1.4% calibration target for two primary reasons.

1. A market baseline for screw-in bulb savings calculations was used, rather than the MEMD baseline approach. While this change effectively reduces per unit savings for this measure by more than 20% when compared to utility claimed savings, it better estimates system impacts.
2. Highly site-specific industrial custom project estimates are not included (as noted during the June 17 presentation).

These two measure categories, residential screw-in lighting and industrial custom, represent up to 35% of 2019 net savings for the larger Michigan utilities and result in an expected reduction to the savings calibration target. Other contributing factors to the draft achievable potential results include:

1. continued saturation of residential lighting, and
2. removal of measures not applicable to savings potential from utility achievements, such as carryover.

Next Steps

In collaboration with the MPSC, Guidehouse is continuing to review the study results and conducting a detailed comparison to utility measure-level achievements to identify enhancements to the current calibration. Guidehouse is considering analysis modifications, including:

- Update calibration targets based on 2020 performance and 2021 targets (instead of 2019 performance)
- Change lighting measure characterization to reflect MEMD baseline
- Investigate options to analyze the aggressive scenario incentive changes (from 40% to 75% of installed cost) with more granularity to reduce the number of measures that screen-out due to higher incentive costs
- Include a Custom Industrial measure

The results of this continued review and iteration will be reflected in the draft report.