# Energy Optimization in 2008 PA 295

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# Energy Optimization Plans

- Subpart B of 2008 PA 295 requires providers of electric or natural gas service to establish Energy Optimization (EO) programs for their customers.
- Energy providers subject to the EO provisions of the Act exclude electric Alternative Energy Suppliers (AESs) and natural gas retail marketers.

# Overall Goals

- Reduce future cost of service for both gas and electric suppliers.
- Delay need for constructing new capacity.
- Cost effectiveness.

# Energy Optimization Providers

- 8 Investor-Owned Electric Providers
- 10 Cooperative Providers
  - 4 Member Regulated
  - 6 Rate Regulated
- 41 Municipal Providers
- 6 Rate-Regulated Gas Providers

# Energy Optimization Implementation

- Initially the Commission approved Energy Optimization Plans for nine electric investor-owned utilities, 10 electric cooperatives, 41 municipal electric companies, and six gas companies.
- The Commission Staff is currently reviewing plans proposed by providers for the next two years.

# State Program Administrator

- Section 91 of PA 295 creates an option for utilities to offer energy optimization services through an energy optimization program administrator selected by the Commission (Efficiency United).
- The administrator is funded directly by the participating utilities using funds collected from customers.

# Self-Direct Option

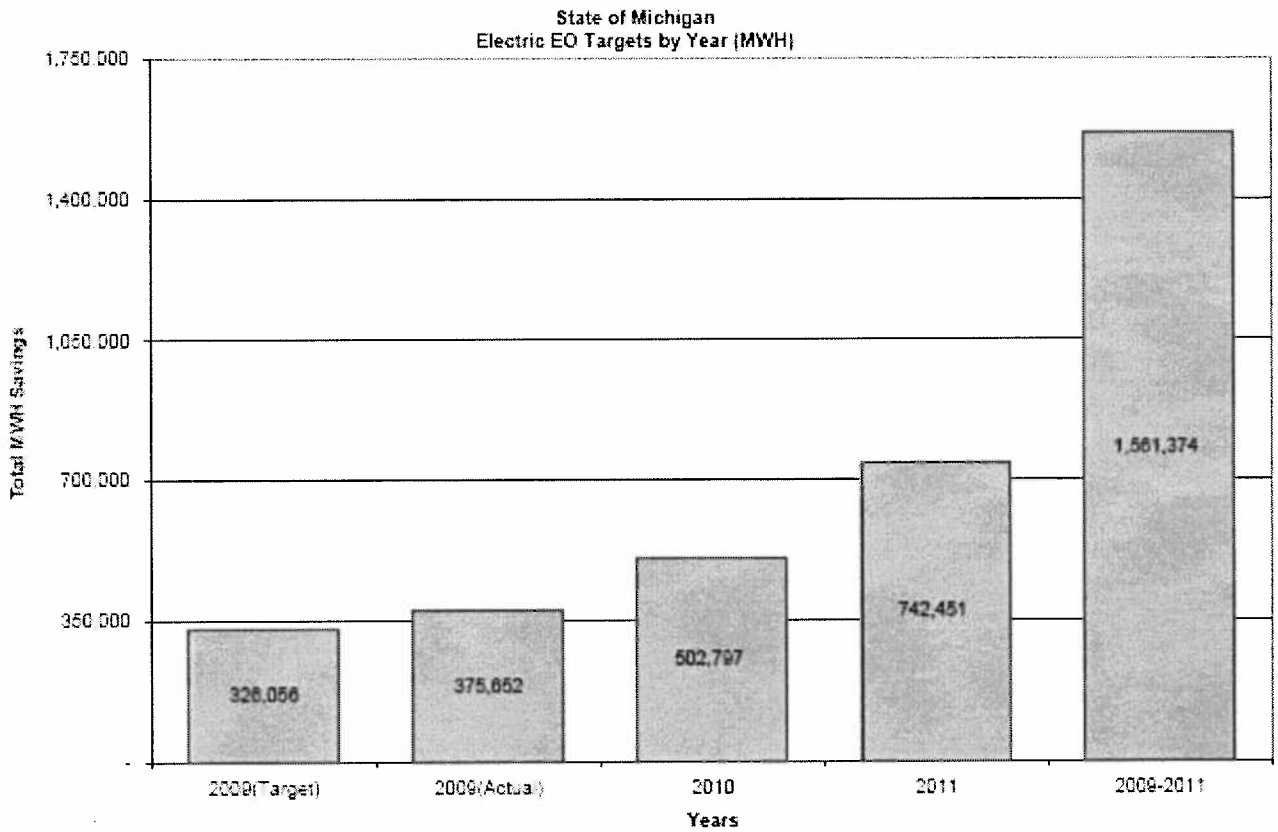
- Section 91 of PA 295 creates an option for self-directed EO programs for large electric customers
- 79 customers participated statewide in 2010
- 2010 load reduction of 53,000 MWh

# Energy Efficiency

- Utilities began enrolling customers in EE programs as early as July 2009.
  - Electric targets are 0.75% of retail sales in 2011, ramping up to 1.0% in 2012,
  - Natural gas targets are 0.5% of retail sales in 2011, ramping up to 0.75% in 2012.

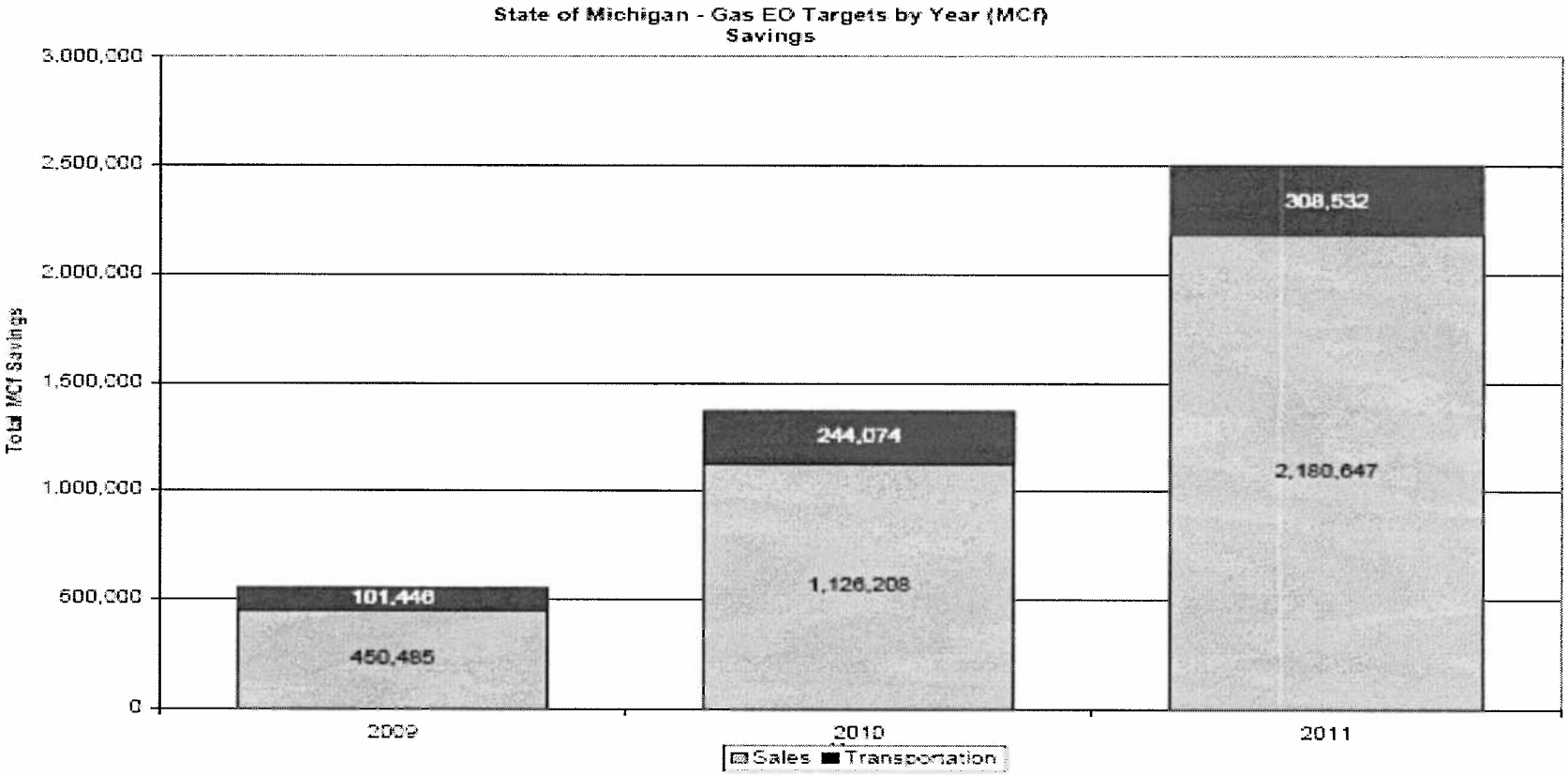
- 2011 financial resources available to programs for all customer classes (residential, commercial & industrial):
  - Consumers Energy (electric): $47.2 Million
  - Consumers Energy (gas): $33.5 Million
  - DTE (electric): $35.7 Million
  - MichCon (gas): $26.5 Million
  - Electric Cooperatives: $5.1 Million
  - Utilities contributing to the State Selected Administrator: $15.2 Million
  - Total: $163.2 Million

# Electric Targets




Source: 2010 MPSC Report on the Implementation of PA 295 Utility Energy Optimization Programs, http://michigan.gov/documents/mpsc/eo_legislature_report2010_339568_7.pdf

# Gas Targets

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# Energy Efficiency Programs

- Utility company surcharges fund efficiency programs.

- Average impact on residential customer bills:
  - ❖ Consumers Energy

    $1.09 per month on your natural gas bill

    $1.13 per month on your electric bill

  - ❖ Detroit Edison/MichCon

    $2.00 per month on your natural gas bill

    $1.22 per month on your electric bill

# Residential Energy Efficiency

- Residential EE programs generally offer incentives (rebates or buy-downs) for:
  - Efficient Lighting
  - Energy Star Appliances
  - HVAC and water heater upgrades
  - Home energy audits & weatherization
    - Phase I: Walk through audit and kit containing low-flow shower head, CFLs, pipe wrap
    - Phase II: blower door test – home envelope: insulation, CFLs, programmable thermostat, duct sealing, Energy Star appliances, etc.
  - Multi-family upgrades
  - Appliance recycling
  - New construction (Energy Star Homes)
  - Educational meetings and materials

# Energy Efficiency Results

- Energy efficiency measures are an investment in Michigan's energy future.
- The levelized cost of EO program savings is estimated to be $30 per MWh.
- For every $1 spent on energy efficiency programs, customers will save $3 in avoided energy costs.

# Questions?

www.michigan.gov/mpsc