

HOUSE BILL No. 4583

April 5, 2007, Introduced by Rep. Accavitti and referred to the Committee on Energy and Technology.

A bill to establish an energy efficiency program in this state; and to prescribe the powers and duties of certain state agencies and officials.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. This act shall be known and may be cited as the
2 "energy efficient Michigan act".

3 Sec. 3. The legislature finds all of the following:

4 (a) Energy efficiency is a cost-effective resource that is an
5 essential component of this state's energy future that ensures
6 affordable and reliable energy to consumers in this state.

7 (b) Energy efficiency in this state is a resource that is
8 currently underutilized.

9 (c) Utility investment in energy efficiency, combined with

1 energy efficiency codes and standards, present important
2 opportunities to increase this state's energy security, protect
3 energy consumers in this state from price volatility, preserve the
4 state's natural resources, and pursue an improved environment in
5 this state.

6 (d) Investment in energy efficiency by public utilities
7 subject to commission oversight can bring significant economic
8 benefits to this state.

9 (e) It serves the public interest to support public utility
10 investments in cost-effective energy efficiency by allowing
11 recovery of costs for reasonable and prudently incurred expenses of
12 energy efficiency programs.

13 (f) Investments in energy efficiency and implementation of
14 utility energy efficiency programs for economically disadvantaged
15 citizens of this state, in conjunction with low income
16 weatherization programs managed by this state, will reduce the
17 burden of utility costs on low income customers.

18 (g) Public utility investments in cost-effective energy
19 efficiency, combined with the adoption of efficiency codes and
20 standards, can provide significant reductions in greenhouse gas
21 emissions, regulated air emissions, water consumption, and natural
22 resource depletion, and can avoid or delay the need for more
23 expensive generation, transmission, and distribution
24 infrastructure.

25 Sec. 5. As used in this act:

26 (a) "Commission" means the Michigan public service commission.

27 (b) "Cost-effective" means that the program being evaluated

1 meets the total resource cost test as defined in this section.

2 (c) "Energy conservation" is any reduction in electric power
3 consumption or natural gas consumption resulting from either of the
4 following:

5 (i) Increased energy efficiency in the production,
6 transmission, distribution, or customer end-use applications of
7 electricity and natural gas.

8 (ii) Increased customer knowledge concerning the societal
9 impacts of consumption.

10 (d) "Energy efficiency" means measures, including energy
11 conservation measures, or programs that target consumer behavior,
12 equipment, or devices that result in a decrease in consumption of
13 electricity and natural gas without reducing the amount or quality
14 of energy services.

15 (e) "External costs" means costs imposed on society, but which
16 are not directly borne by the producer in production and delivery
17 activities. Due to imperfections in, or the absence of, markets,
18 the producer's production and pricing decisions do not account for
19 these costs.

20 (f) "Large customer" means a utility customer at a single,
21 contiguous field, location, or facility, regardless of the number
22 of meters at that field, location, or facility, with electricity
23 consumption greater than 7,000-megawatt hours per year or natural
24 gas use greater than 360,000 decatherms per year.

25 (g) "Load management" means measures or programs that target
26 equipment or devices that result in decreased peak electricity
27 demand or shift demand from peak to off-peak periods.

1 (h) "Societal cost" consists of all costs to the utility plus
2 all external costs which are imposed on society.

3 (i) "Total resource cost test" means a standard that is met
4 if, for an investment in energy efficiency or load management, on a
5 life-cycle basis the avoided supply-side monetary costs are greater
6 than the monetary costs of the demand-side programs borne by both
7 the utility and the participants and does the following:

8 (i) Explicitly manages the consequences of uncertainty and risk
9 associated with a utility's market characteristics and supply
10 alternatives.

11 (ii) Integrates the demand- and supply-side resources that
12 represent the least cost to society over the long term.

13 (iii) Explicitly weighs a broad range of resource attributes in
14 the evaluation of alternative resources.

15 (iv) Is reasonably understandable to interested persons,
16 including members of the general public and the commission.

17 (v) Involves stakeholders and nonutility expertise in utility
18 resource planning.

19 (vi) Results from a planning process within the utility which
20 facilitates communication and coordination among the entities
21 dealing with utility finances, demand forecasts, demand- and
22 supply-side resource evaluations, as well as other relevant
23 entities.

24 (vii) Continually monitors and develops data on the cost
25 effectiveness and actual productivity of conservation programs.

26 Sec. 7. (1) The commission shall ensure that electric and
27 natural gas utilities utilize cost-effective energy efficiency

1 investments in their energy resource portfolios.

2 (2) Electric and natural gas utilities shall use energy
3 efficiency resources to meet the following energy savings goals:

4 (a) Annual incremental energy savings through energy
5 efficiency programs equivalent to 0.3% of total annual electricity
6 and natural gas sales by 2008.

7 (b) Annual incremental energy savings through energy
8 efficiency programs equivalent to 0.5% of total annual electricity
9 and natural gas sales by 2009.

10 (c) Annual incremental energy savings through energy
11 efficiency programs equivalent to 0.75% of total annual electricity
12 and natural gas sales by 2010 and each year thereafter.

13 (3) Within 3 months of the effective date of this act, the
14 commission shall adopt rules specifying the procedure for utilities
15 to develop and submit an energy efficiency plan. Within 3 months of
16 adoption by the commission of rules, and biennially thereafter,
17 utilities shall file an energy efficiency plan with the commission.
18 In submitting proposed energy efficiency program plans and funding
19 levels to meet the savings goals adopted in this legislation, the
20 utility shall do all of the following:

21 (a) Demonstrate that their proposed level of electric or
22 natural gas energy efficiency program activities and funding is
23 consistent with the adopted electric or natural gas savings goals.

24 (b) Present specific proposals for programs that support new
25 building and appliance standards.

26 (c) Present a set of energy efficiency programs that include
27 offerings for each customer class.

1 (d) Demonstrate that their investments in energy efficiency
2 are cost effective, using the total resource cost test.

3 (4) Within 120 days of receiving an energy efficiency plan
4 from an electric or natural gas utility, the commission shall
5 approve, reject, or modify the submitted plan.

6 (5) The commission shall allow utilities to recover the
7 reasonable costs of investments in energy efficiency programs
8 implemented after the effective date of this act through a
9 surcharge payable by every customer of that utility. The surcharge
10 for any utility customer shall not exceed 1.5% of that customer's
11 bill, or the lower of 1.5% or \$75,000.00 per year for large
12 customers. The commission may implement rate-making strategies for
13 utilities that would provide reasonable economic incentives to
14 encourage excellent performance in the acquisition of energy
15 efficiency resources through energy efficiency programs for
16 customers.

17 (6) Implementation of energy efficiency programs under this
18 plan shall be split between the utilities and the commission as
19 follows:

20 (a) Electric and natural gas utilities shall implement 75% of
21 the energy efficiency programs. Electric and natural gas utilities
22 shall administer energy savings incentive programs in a market-
23 neutral, nondiscriminatory manner but shall not offer underlying
24 competitive services. Each electric and natural gas utility shall
25 provide, through approaches such as market-based standard offer
26 programs, incentives sufficient for retail electric and natural gas
27 providers and competitive energy service providers to acquire

1 additional cost-effective energy efficiency according to the goals
2 set forth in this plan. The guidelines provide the utilities with
3 policy and planning guidance and do not specify the outcome of the
4 planning process nor mandate particular investment decisions. Each
5 utility's plan should be the result of that utility's unique
6 planning process and judgment.

7 (b) The commission shall implement 25% of energy efficiency
8 programs. The commission shall focus on targeted, market-
9 transformation, and educational programs that will inform customers
10 and provide incentives to help achieve the goals set forth in this
11 act.