

**CLEAN AND RENEWABLE ENERGY AND ENERGY WASTE REDUCTION ACT (EXCERPT)**  
**Act 295 of 2008**

**460.1075 Energy waste reduction plan; exceeding standard; authorization for commensurate financial incentive; payment; limitations; "life cycle cost reductions" defined.**

Sec. 75. (1) An energy waste reduction plan of a provider whose rates are regulated by the commission may authorize a commensurate financial incentive for the provider for exceeding the energy waste reduction standard. Payment of any financial incentive authorized in the energy waste reduction plan may be based on performance metrics, if performance metrics are agreed to by a provider, in addition to the savings metrics under subsections (2), (3), and (4). The performance metrics may include, but are not limited to, metrics for delivering low-income programs. Payment of any financial incentive is subject to the approval of the commission.

(2) The total amount of a financial incentive for an electric provider that achieves the following amount of annual incremental savings, expressed as a percentage of its total annual retail electricity sales in megawatt hours in the preceding year, with an average savings life of at least 8 years, shall not exceed the following:

(a) For savings of greater than 2.17% of sales, an incentive of the lesser of the following:

(i) 35% of customer life cycle cost reductions.

(ii) 25% of the provider's actual energy waste reduction program expenditures for the year.

(b) For savings of greater than 2% but not greater than 2.17% of sales, an incentive of the lesser of the following:

(i) 32.5% of customer life cycle cost reductions.

(ii) 22.5% of the provider's actual energy waste reduction program expenditures for the year.

(c) For savings of greater than 1.83% but not greater than 2% of sales, an incentive of the lesser of the following:

(i) 30% of customer life cycle cost reductions.

(ii) 20% of the provider's actual energy waste reduction program expenditures for the year.

(d) For savings of greater than 1.66% but not greater than 1.83% of sales, an incentive of the lesser of the following:

(i) 27.5% of customer life cycle cost reductions.

(ii) 17.5% of the provider's actual energy waste reduction program expenditures for the year.

(e) For savings of greater than 1.5% but not greater than 1.66% of sales, an incentive of the lesser of the following:

(i) 25% of customer life cycle cost reductions.

(ii) 15% of the provider's actual energy waste reduction program expenditures for the year.

(3) The total amount of the financial incentive for a natural gas provider that achieves the following amount of annual incremental savings expressed as a percentage of its total annual retail natural gas sales in decatherms in the preceding year, with an average savings life of at least 10 years, shall not exceed the following:

(a) For savings of greater than 1.25% of sales, an incentive of the lesser of the following:

(i) 32.5% of customer life cycle cost reductions.

(ii) 22.5% of the provider's actual energy waste reduction program expenditures for the year.

(b) For savings of greater than 1% but not greater than 1.25% of sales, an incentive of the lesser of the following:

(i) 30% of customer life cycle cost reductions.

(ii) 20% of the provider's actual energy waste reduction program expenditures for the year.

(c) For savings of greater than 0.875% but not greater than 1% of sales, an incentive of the lesser of the following:

(i) 15% of customer life cycle cost reductions.

(ii) 10% of the provider's actual energy waste reduction program expenditures for the year.

(4) A natural gas provider that spends at least 67% of its total energy waste reduction budget on measures that reduce space heating loads is eligible for an additional incentive of 2.5% of the provider's actual energy waste reduction program expenditures for the year. As used in this subsection, "measures that reduce space heating loads" means improvements to any of the following:

(a) Building envelopes, such as air sealing, insulation, or efficient windows and doors.

(b) Heating distribution systems and heating system controls.

(c) Ventilation systems.

(5) As used in this section, "life cycle cost reductions" means the net present value of life cycle cost reductions experienced by the provider's customers as a result of implementation, during the year for which

the financial incentive is paid, of the energy waste reduction plan.

**History:** 2008, Act 295, Imd. Eff. Oct. 6, 2008;—Am. 2016, Act 342, Eff. Apr. 20, 2017;—Am. 2023, Act 229, Eff. Feb. 13, 2024.

**Compiler's note:** Enacting section 1 of Act 295 of 2008 provides:

"Enacting section 1. As provided in section 5 of 1846 RS 1, MCL 8.5, this act is severable."