



**5/9/2006 Meeting Agenda – 1:30 am Hearing Room A – MPSC Offices**

**Workgroup Chair, Robert Ozar, Michigan Public Service Commission  
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**Overall Objective:**

**Develop a proposal for a permanent and comprehensive energy-  
efficiency and load-management program for the State of Michigan**

**Supporting Objectives:**

- 1) develop a “bottom up” analysis of potential energy and demand savings in Michigan through 2025 (kwh and \$), via the identification of specific energy saving measures
- 2) develop estimates of cost of conserved energy, including estimated program, administrative and participant costs
- 3) develop appropriate cost/benefit measures so as to evaluate the various options
- 4) develop the structure of a permanent and broad-based energy-efficiency and load management program for the State of Michigan
- 5) develop proposals regarding necessary new legislation, agency rules, and ratemaking policy necessary to implement the recommended energy-efficiency and load-management program
- 6) Encourage economic development, including the development of a robust energy-efficiency industry in Michigan

**Electric industry/gas industry interface**

The Workgroup will focus on electric efficiency/load management issues; with natural gas included to the extent cross-industry efficiency measures are relevant.

**Creation of (4) Energy Efficiency Subgroups**

- Utility Efficiency/Conservation Programs
- Non-Utility Efficiency/Conservation Programs
- Active Demand Response
- Price Response/Rate Structures

## Overview of Subcommittee Responsibilities

### **Subgroup (1) - Utility Efficiency/Conservation Programs**

#### **Chair – Robert Ozar, Michigan Public Service Commission**

- Evaluate and select from available computer software (such as Architectural Energy Corp.'s *REM/Rate*<sup>TM</sup> Home Energy Rating Tool, and DOE freeware)
- Identify and select energy efficiency/conservation options for analysis
  - Divide options analysis into the Residential, Commercial, and Industrial Sectors
  - Load shapes, hourly demand output calculated
  - Develop efficiency-option customer penetration estimates
  - Integrate forecast results with the Capacity Needs Forum (CFN) update
  - Estimate efficiency-option program expenses and capital investments
  - Develop appropriate cost/benefit measures
- Develop policy recommendation regarding voluntary vs. mandatory utility involvement: (e.g. should legislation be passed granting the MPSC broad jurisdiction over utility efficiency/ conservation programs?)
- Develop recommendations regarding third-party program administration and operation alternatives to traditional utility programs
  - Explore the concept of establishing an independent corporation
- Address the issue of how a permanent energy efficiency/conservation program would interface with MPSC Act 304 proceedings
- Develop specific policy recommendations regarding cost recovery of program expenses and investments related to a permanent energy efficiency/conservation program
- Address consumer education programs
- Should Michigan have a distinct low-income energy efficiency program, and if so, should it be exempt from cost/benefit tests?
- Explore and make recommendations regarding targeted energy efficiency programs (targeted toward specific electric load areas and networks)
- Evaluate strategies regarding MPSC implementation of Revenue Decoupling (RD) mechanisms
  - Evaluate the pros/cons of RD trackers vs. increased fixed-charge components
  - If appropriate, craft a suitable RD tracker consistent with the permanent energy efficiency/load management program being recommended by the Workgroup

### **Subgroup (2) - Non-utility Efficiency/Conservation Programs**

#### **Chair – John Sarver, DLEG-Office of Policy & Legislative Affairs**

- Should Michigan institute its own "Energy Star" requirements in excess of federal requirements? If so, develop specific policy and legislative recommendations
- Develop detailed analysis and recommendations regarding Michigan's current building standards, and local and zoning regulations
- Submetering & Master metering regulations should be reviewed and evaluated for necessary changes
- Explore the creation of new non-utility efficiency initiatives aimed at reducing commercial and industrial energy use

### **Subgroup (3) – Active Demand Response**

#### **Chair – Dave Jirakovic, Consumers Energy**

- Develop a *Smart Meter* implantation plan for the State of Michigan, including milestone dates, and deadline for full implementation
  - Multi-phase implementation: large utilities, followed by small utilities
  - Identify constrained areas for priority installation of smart meters
  - Develop projected capital costs (including meter, communications, and utility system changes)
  - Develop projected operating costs
  - Develop policy recommendations regarding rate recovery of capital and operation costs
  - Develop a plan for merging smart meters with active demand reduction and interruption

### **Subgroup (4) - Price response/ Rate structures**

#### **Chair – Michael Collins, Michigan Public Service Commission**

- Develop a *Smart Pricing* implantation plan for the State of Michigan, establish milestone dates, and recommended deadline for full implementation
  - a comprehensive plan for merging the implementation of a statewide *Smart Meter* program with new rate structures, i.e. *Smart Pricing* plans, that would vary the energy price charged customers depending on how much electricity a customer uses during each hour of the day
  - rate structures that would encourage customers to move consumption to off-peak periods, (during the night), and lower consumption during peak periods
  - rate structures that would lower consumption during critical peak-demand periods when generation costs are very high (e.g. during summer heat waves)
  - new rate structures for customers choosing active demand control and interruption
  - Explore increasing the efficiency of retail price signals by changing PSCR rates from an annual-average-cost based method, to a *Smart Pricing* rate structure
- Perform an inventory of all existing time-of-day rate and load management programs in Michigan
  - Review and evaluate existing time-of-day rate and load management programs for efficacy
- Estimate generation/purchased power savings associated with *Smart Pricing* rate structures

## **Dates for first subgroup meetings:**

**Utility Efficiency Programs:** May 15, 2006, 9:30-12:00 noon & 1:30-4:00 p.m.  
Presentation by George Edgar, Director of Energy Policy; and Janet Brandt,  
Executive Director, Wisconsin Energy Conservation Corporation

**Non-utility Programs:** May 16, 2006, 9:30-12:00 noon

Joint meeting: **Active Demand Response & Price Response:** May 16, 2006,  
1:30-4:00 p.m.

## **Deadlines for Workgroup major deliverables**

**July 28, 2006** Energy and capacity savings to CNF Update

**September 15, 2006** Subgroup draft report

**September 29, 2006** Final Workgroup report