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**EO Collaborative
Program Design & Implementation Workgroup
February 23, 2010, 9:00-Noon**

Meeting Notes

Agenda item, Program Interruptions, moved to beginning of agenda by Staff.

Emmet Romine (DTE) presented information regarding the temporary suspension of the residential HVAC incentive program. Demand for rebates on high efficiency furnaces and ECM motors far exceeded what was anticipated. Launched in August, customers worked with heating contractors to submit application. \$300-600 average rebate. Electric and gas combined, \$600,000 allotted for program in 2009, \$1.8 Million for 2010. Believe they will be at \$4.3 million (over by \$1.9 Million) through January 2010. The program was not sustainable at these levels. They do not believe there was wide-spread fraud, but EM&V auditors are reviewing the records (full set of invoices, specifics of model numbers, receipts, etc.)

Decision to suspend this rebate program was made to make the program available to all 40,000 residential customers, not just those doing HVAC projects. This isn't counting the 1.2 million customers participating in the CFL program. DTE is looking at incentive levels, at how to roll out the next program so it is sustainable.

Complete applications dated through January 31, 2010 will be processed in order. Approximately 6000 applications received, 2500 already processed.

Discussion about allowing customers to reserve funds, possibly online, and 'false' reserves.

Discussion about whether ECM is automatically included in high efficiency furnace, some aren't. ECM and furnace rebates are low on the benefit/cost test.

Discussion regarding requiring mechanical permit numbers to prevent fraud. Many municipalities do not return permits. Rebates usually go to the customer, not contractor.

Discussion regarding incomplete rebate applications (30-40%) by customers. For DTE and Consumers, contractors will need to start completing applications.

DELEG is an equal opportunity employer/program.
Auxiliary aids, services and other reasonable accommodations are available upon request to individuals with disabilities.

Discussion regarding reasons for high demand including tax incentives and coincidence of tax season, year end, and heating season.

Discussion about communication of program suspension. DTE posted on website in mid-January and word was spread to trade allies. Customers that completed work after suspension will not be considered because it would further limit funds available to other programs.

Teri VanSumeren (Consumers) presented information about the Consumers HVAC rebate program. Budget was \$1.8 million from 2,200 applications. Through January, received approximately 12,000 applications for \$5.3 million (gas and electric). Didn't have as many programs as DTE – no home retrofits. Programs that dollars were reallocated from were lever programs (buying down CFL bulb prices). CFLs are impulse purchases. So people weren't upset when the "sales" ended and the money transferred to HVAC. Ramped back multi-family direct install programs, which is not well advertised. Didn't want to detract from customer satisfaction levels, so they worked with less-noticed programs. \$1 M out of lighting programs pulled. New construction programs were reallocated due to low level of new construction.

2010 rebates will be lowered. Instead of \$350 for 95% efficiency furnace, offering \$250. ECM motors were "free riders", heard from contractors that a number of customers were going to get them anyway and they carried a \$150 rebate. A/C is locked at \$250 rebate. Optimizing portfolio balancing UCT and customer satisfaction. Anticipates they will run out of money. Hoping to keep their programs running through November – may request Commission permission to change their programs.

Emmett Romine: DTE will be filing an amended EO plan soon.

Discussion regarding seasonal changes in demand for rebates, ECM versus A/C. Programs can be adjusted as changes occur in weather and federal rebates. Contractors need to know fall rebates by July 31.

Rob Ozar: Looking for input from contractors about where the EO programs should go?

Contractors: Structure and advertise programs seasonally. Use utility newsletter to keep customers informed. Trade allies happy to spread information. Use dates to incent/move applications. Allow customers to know their rebate is reserved. Take cues from manufacturer rebate programs. Utilize online applications and digital signatures.

Discussion that contractors see most customers financing purchases with home loans.

Agenda item: Michigan Saves

Sally Talberg (Michigan Saves) provided a handout detailing proposed contractor qualifications to participate in Michigan Saves. Contractor qualifications to align with other programs. In September a number of requirements were sent out, not a lot of changes have been made: attend a Michigan Saves seminar, be licensed in their trade. Most other programs have higher requirements for participants. Wants feedback on the handout – wants to maintain customer trust, but make program accessible.

Suggestions from contractors:

- Disallow subcontractors over concerns of subs not getting paid.
- Requiring ACCI (Air Conditioning Contractors of America) quality standard.
- Requiring 1-year guarantee.
- Insurance: \$300,000 to \$500,000 residential, \$1 million commercial.
- Require Manual J for proper sizing.
- Require NATE (North American Technician Excellence) certification.
 - Concern expressed that this could disqualify 80% of contractors and a test can be ‘taught’. A company needs 60% of techs certified to qualify.
 - Possibility of phasing in this requirement discussed.
- Possible lead-safe requirement.
- Dispute resolution process. How many strikes before disqualification?

VanSumeren (Consumers) This is a loan program. When does this become more burdensome than a home equity loan?

Sally Talberg: Steering committee will look at quality issues, standards, liability. Turning to QA, when there is Michigan Saves financing involved, who takes it upon themselves to make sure the job was done well? Monitor for fraud, health and safety issues?

Contractors: Permitting process will take care of HVAC issues. Identify core issues, what needs to be in place to reasonably assure quality. The vast amount of rebate work was done by the minority of contractors. Don’t be afraid of excluding companies. Every manufacturer has an “elite dealer status” of those more concerned with quality and has certifications.

Discussion on whether Michigan Saves is a financing program or energy savings program. Rob Ozar: Financing program gearing towards utility EO programs. Sally Talberg: Savings will be generated, but Michigan Saves has no use for EO credits.

Comment that weatherization might be overlooked in favor of equipment installations.

Sally Talberg: QA from existing programs will be used where available.

Rob Ozar: Michigan Saves may have to take over some QA functions until utilities roll out EO programs and HPwES. Should Michigan Saves have a lower cap for ala carte?

Sally Talberg: If lenders have an issue with a measure, then it comes off the list. They don't want two different loan caps.

Discussion regarding appropriateness of ala carte measures. Improper application may lead to health and safety issues. Some are less energy efficient than desired. Suggestion made to eliminate ala carte in favor of whole-house approach. Others support ala carte as part of shift towards efficient choices by customers, making affordable choices as money allows. Suggestion made to limit number of loans to same house. Related discussion about need for educational component to shift customers to better choices.

Sally Talberg: Trying to accommodate prescriptive and ala carte and finding a balance. Believe they are aligned with Home Star. Numbers show 90% choose ala carte in mature programs. She'll provide a list of eligible measures for comment, to be distributed with meeting notes.