



Program Overview

What is Michigan Saves?

Michigan Saves is a nonprofit organization dedicated to making energy efficiency upgrades and installation of small-scale renewable energy systems more affordable for all types of Michigan energy consumers—businesses, schools, municipalities, and residents. Endowed with an initial trust fund of \$6.5 million from the Michigan Public Service Commission, this program will eliminate the upfront costs of installation and provide a streamlined process for securing financing at preferred rates. To do this, Michigan Saves will leverage third-party capital with innovative credit enhancement mechanisms, work closely with energy efficiency and renewable energy system contractors, coordinate with similar programs in the state and across the country, and monitor the program to track results and ensure success. This effort will stimulate the Michigan green economy, create jobs, and help consumers save energy and money.

The organization and its programs are being developed by Public Sector Consultants and its partner, The Delta Institute, through a process of detailed research and modeling combined with stakeholder input.

Program Offerings

The following three program offerings will be available as part of Michigan Saves:

- Residential energy efficiency installations
- Nonresidential energy efficiency installations
- Custom energy efficiency or renewable energy installations

For both the **residential and nonresidential** programs, the primary marketing vehicle and initial point of contact for the customer will be a network of contractors and other energy professionals qualified by Michigan Saves (see Accountability section below for qualification details). The residential and nonresidential programs will be limited, at least initially, to energy efficiency upgrades and will not finance renewable energy systems. Customers can choose from one of the following options to identify energy-saving measures:

- **À la carte eligible measures:** Customer selects measures from list of qualifying measures developed by Michigan Saves (energy efficiency checklist completed by contractor but no full audit is required).
- **Audit-based full response:** Home energy audit is performed by a certified auditor, who explains recommended measures and financing options. As long as top energy-saving or cost-saving measures are included in the bundle (e.g., top three measures with fastest payback or other criteria), customer chooses to finance/install any of the recommended measures.

The attached flow charts depict how the customer would enter the residential and nonresidential programs, work with contractors, and obtain financing.

The **custom program** will be available to serve particular market segments, areas, or technology types (for example, solar photovoltaic for homes or small businesses). Because of the complexities involved, any renewable energy systems financed through Michigan Saves would be part of the custom program. Custom projects can be initiated by Michigan Saves, investors, contractors, or customers. The process would be generally consistent with the process for the standard residential and nonresidential programs, but would involve additional screening and evaluation to determine whether projects are eligible for financing. In addition, financing terms and the standards for project development, installation, and evaluation would be tailored to the particular technology, building type, and other factors.

Financing

In addition to recommending appropriate energy efficiency and/or renewable energy system upgrades, the contractor will also explain financing options. Michigan Saves is currently developing these options, but they will likely include personal and commercial secured and unsecured loans. **Capital for the loans** will be provided by public and private lenders and investors. Michigan Saves will offer credit enhancements (loan loss reserve, interest rate buy down, etc.) so that lenders and investors can invest their capital in the financing program with confidence; this will also make loans more affordable for customers. **Loan sizes and terms** will vary across the three different program offerings and types of loans. It is anticipated that the largest loan volume will be unsecured personal loans of less than \$12,500 with terms between 4 and 7 years. **Interest rates** will also vary; nationally rates range from 0% to 8.99% for unsecured loans.

The goal of the program is to have a fast **loan approval process** and to put in place a streamlined lending process while providing adequate security to the lender. **Loan origination** would be performed by the lender but the application process could be facilitated by contractors that have received training from Michigan Saves on the financial product and are performing the work, using a toll-free phone number or a website. In order to participate with Michigan Saves and to have access to the loan loss reserve, lenders would agree to adhere to minimum **underwriting** standards established by Michigan Saves. Lenders could set stricter standards at their discretion.

Michigan Saves will offer a hybrid billing model, with **loan servicing** performed by the borrower's utility company or by the lender. If the borrower's utility company services the loan, payments would be collected through its billing service. Upon payment, the utility company would remit the principal and interest payment to the lender. Both the utility and participating lender would have to agree to this arrangement.

Accountability

To participate in Michigan Saves, businesses must provide evidence of business licenses, insurance, and any required certifications and attend training on the financial product and building science. In addition, contractors and auditors conducting energy audits will be required to have appropriate third-party certification or licenses based on the type of audit performed. For the residential program, the certifications must be obtained from either the Building Performance Institute (BPI) or the Residential Energy Services Network (RESNET®). Both BPI and RESNET provide oversight of contractors to ensure that quality assurance standards are maintained following the initial certification. The nonresidential program will require the individual to be a professional engineer or have approved experience working with all aspects of building energy systems (for example, licensed architects).

As part of its quality assurance role, Michigan Saves will arrange for random inspection of a percentage of completed projects conducted by an independent party.

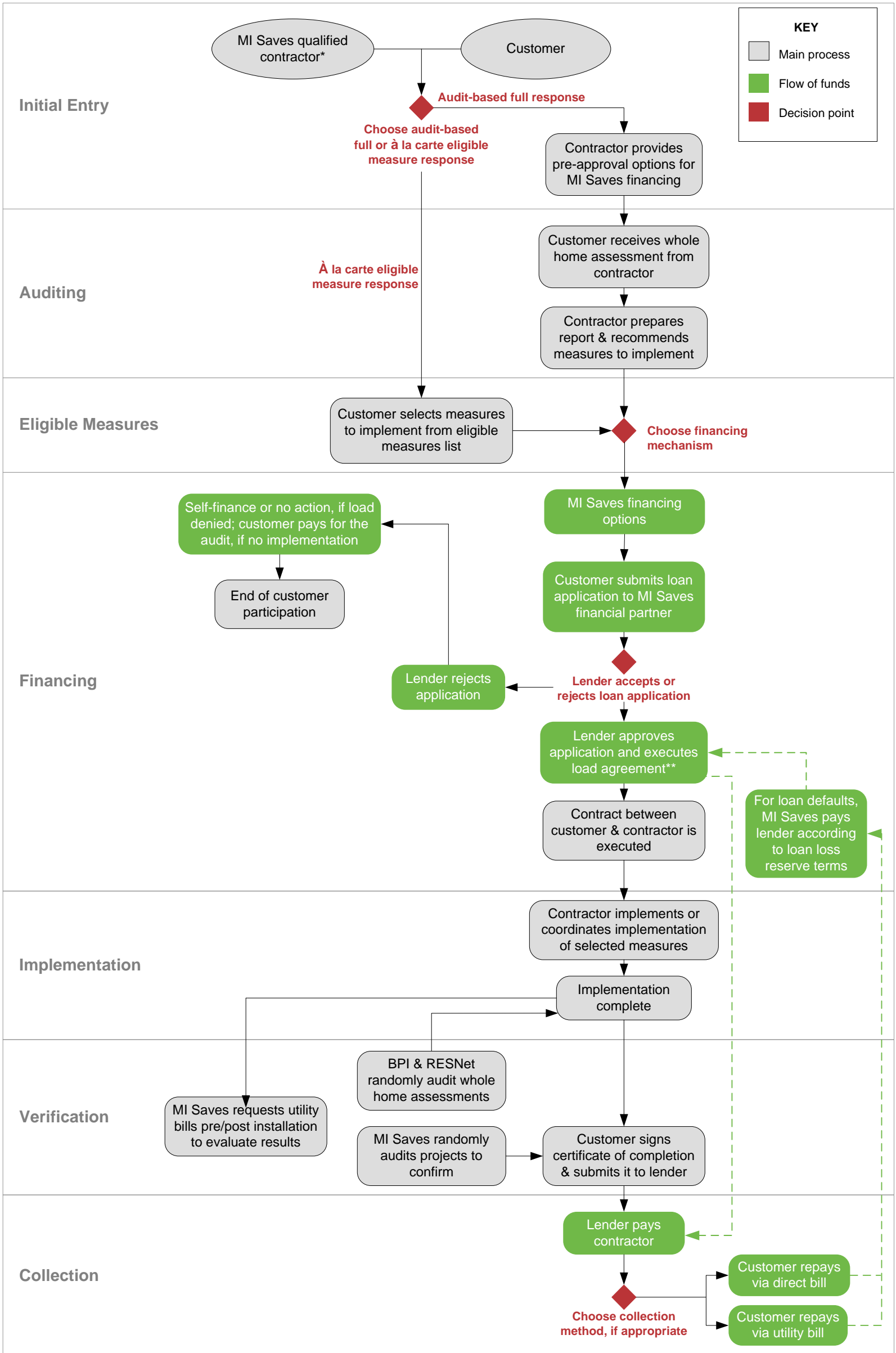
Program Implementation Schedule

Pilot programs will begin in the first half of 2010 and will serve individual market segments or areas to test key concepts of the program design. It is anticipated that the full Michigan Saves program will be launched by the middle of the year. The program will be expanded or updated based on additional experience or funding opportunities.

More Information

Updates and publications are available on the Michigan Saves website, www.michigansaves.org.

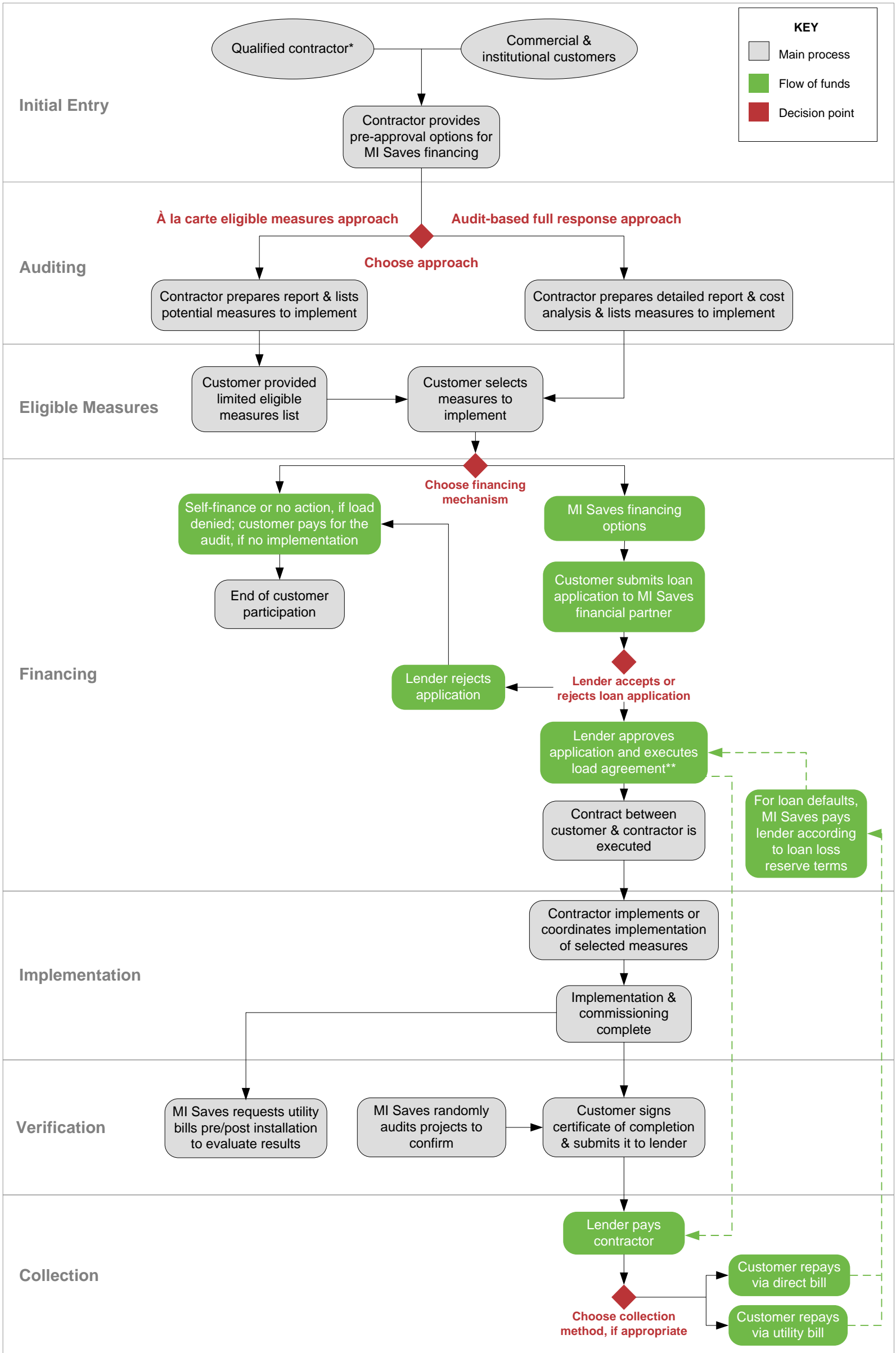
Residential Program Design



*Qualifications include licensed, insured, BPI-accreditation or RESNet Certified Auditor, and MI Saves training course.

**MI Saves escrows loss reserve. Must meet minimum underwriting standards established by Michigan Saves.

Non-Residential Program Design



*Qualifications include professional engineer (PE), registered architect, certified energy manager (DEM), or other qualifications.

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