

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter, on the Commission's own motion,)	
to solicit utility participation in a Michigan)	Case No. U-15633
Saves working group and pilot programs.)	
_____)	

In the matter of THE DETROIT EDISON)	
COMPANY'S response regarding a Pay as)	Case No. U-15199
You Save (PAYS) pilot program.)	
_____)	

In the matter of CONSUMERS ENERGY)	
COMPANY'S response regarding a Pay as)	Case No. U-15258
You Save (PAYS) pilot program.)	
_____)	

At the August 26, 2008 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. Orjiakor N. Isiogu, Chairman
Hon. Monica Martinez, Commissioner
Hon. Steven A. Transeth, Commissioner

ORDER

Pay as You Save (PAYS®) is a market-based system designed to provide energy efficient products that may be purchased with no up-front payment and no customer debt obligation. Under the PAYS® system, the customer at a location where energy efficient measures are installed pays a tariffed charge on the utility bill until all measure costs, including financing costs, are paid. In all cases, the program guarantees that the total energy cost savings from the products installed will exceed the total charge. The PAYS® system makes it easier for consumers to make purchases of

energy-saving equipment and property improvements by providing a mechanism that overcomes the market barriers that inhibit the purchase of energy efficiency products.¹

On June 26, 2008, Michigan received a \$50,000 grant from the National Governors Association's (NGA) Clean Energy States Grant Program to develop a statewide infrastructure to support a program modeled after PAYS® and to implement up to four pilot projects. The program will create the framework, regulatory environment, and policies that will make it possible to achieve at least one gigawatt of demand-side reductions and distributed renewable energy.²

Following a competitive bidding process to select a vendor, grant funds will be used to establish a statewide Administrative Agency for the program. The selected Administrative Agency will work with a state project team, interested Michigan utilities and municipalities, and other interested parties to develop a comprehensive statewide implementation strategy and establish one or more pilot programs to begin project implementation. A series of stakeholder meetings will be completed and outreach, education, and action plans will be developed for all participants including lenders, vendors, utilities, and customers.

Specific outcomes of the project will include: 1) formation of a Michigan working group and completion of action steps and plans for the group; 2) recommendations for regulatory or statutory changes that are necessary or desirable for implementation of the program; 3) specific outreach plans regarding program financing for Michigan lenders, vendors, and customers; 4) development of detailed program designs to direct how the system will be implemented for different types of

¹For a more complete discussion of PAYS® and market barriers to energy efficiency, see, Cillo and Lachman, Pay-As-You-Save Energy Efficiency Products: Restructuring Energy Efficiency, 1999, available at: http://www.paysamerica.org/EEI_Pays_1st_paper.pdf.

²On July 10, 2008, the Energy Office of the Michigan Department of Labor and Economic Growth applied for an additional grant of \$500,000 from the United States Department of Energy's State Energy Program Competitive Activities Utility-Scale Clean Energy Capacity program.

customers; 5) plans for eventual integration of the program with Michigan utility company energy efficiency programming and renewable energy supply portfolio management; and 6) plans for integration with Michigan state goals for implementation of the Midwestern Governors Association Energy Security and Climate Stewardship Platform.³

The Commission has consistently found that a program similar to PAYS® could provide significant benefits to all classes of utility customers, provided that the program is properly designed and implemented. Thus, the Commission finds that notice and opportunity to participate in the Michigan Saves working group should be provided to all interested regulated gas and electric utilities, cooperatives, municipal utilities, local units of government, lenders, vendors, customer advocacy groups, and other interested parties. With this order, the Commission directs all interested parties to file a notice of their intent to participate in the Michigan Saves working group to develop a PAYS®-type program for Michigan. In addition to the notice of intent, interested parties should file the contact information for the person(s) who will be participating in the working group. The Commission Staff is directed to file bimonthly reports on the status of the Michigan working group, with the first report due by December 1, 2008.

The Commission has selected this case for participation in its Electronic Filings Program. Written and electronic documents may be filed with the Commission. Written documents should be sent to:

Executive Secretary
Michigan Public Service Commission
P.O. Box 30221
Lansing, Michigan 48909.

³See, http://www.midwesterngovernors.org/Publications/MGA_Platform2WebVersion.pdf.

Electronic documents may be e-mailed to: mpscedockets@michigan.gov. All documents should reference Case No. U-15633. All information submitted to the Commission in this matter will become public information, posted on the Commission's website, and subject to disclosure.

On November 23, 2004, the Commission issued an order in Case No. U-13808 directing the Detroit Edison Company (Detroit Edison) and Michigan Consolidated Gas Company (Mich Con) to meet with interested parties to discuss the implementation of a program similar to PAYS®. On December 22, 2005, in Case No. U-14347, the Commission likewise directed Consumers Energy Company (Consumers) to investigate the potential of offering a program that includes the essential elements of the PAYS® concept, meet with interested parties to discuss implementation, and file reports on the progress of the matter. The latest reports were filed by Detroit Edison and Mich Con in Case No. U-15199 and by Consumers in Case No. U-15258. In light of this new initiative, the Commission finds that the proceedings in Case Nos. U-15199 and U-15258 should be closed.

THEREFORE, IT IS ORDERED THAT:

A. All regulated gas and electric utilities cooperatives, municipal utilities, local units of government, lenders, vendors, customer advocacy groups, and others interested in participating in the Michigan Saves working group shall file in Case No. U-15633 a notice of their intent to participate, along with contact information for the working group participant(s), by September 19, 2008.

B. The Commission Staff shall file bimonthly reports on the status of the Michigan Saves working group in Case No. U-15633, with the first report due by December 1, 2008.

C. The Commission Secretary is authorized to close Case Nos. U-15199 and U-15258.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, under MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

Orjiakor N. Isiogu, Chairman

Monica Martinez, Commissioner

Steven A. Transeth, Commissioner

By its action of August 26, 2008.

Mary Jo Kunkle, Executive Secretary