

Make common-sense amendments to PA 342 that eliminate red-tape optimization regulations and utility incentives that cost ratepayers money

THE PROBLEM

There are three problems with Michigan's energy optimization law.

First, it requires that all electric and natural gas utilities implement energy optimization programs. Industrial customers are required to pay a volumetric surcharge under the natural gas program with no opportunity for exemption. Industrial customers can seek an opt-out of the electricity program charge by establishing a "self-directed" energy optimization program – but the opt-out process is cumbersome and establishes a risk of penalties.

What the law fails to recognize is that, by their very nature, industrial customers are highly committed to reducing their energy costs – their mandatory participation in these programs is unnecessary and burdensome.

Second: the financial incentive provided to utilities that meet or exceed optimization goals is upside down. The financial reward should be provided to the customer who achieved the energy cost savings -- not the utility!

Utilities have received approximately \$100 million in optimization bonuses since 2008. The financial reward should be to the customer who achieved the energy cost savings, not the utility that collected the customer's money and made them apply to get it back for use in the customer's own energy efficiency projects.

Lastly: there is a major conflict of interest built into Michigan's energy efficiency programs. Promotion of energy efficiency is inherently a conflict with a utility's business goal of selling more energy. Thus, the utilities should not be the entity that administers any energy optimization program – that job should fall to a separate statewide organization.

THE SOLUTION

- Amend PA 342 to allow an easy, straight-forward opt-out of energy efficiency programs, which are meaningless and redundant, for industrial / manufacturing customers
- Amend PA 342 to eliminate the energy optimization financial incentive bonus program
- Amend PA 342 to require a separate statewide independent organization to administer the energy optimization program