HOUSE BILL NO. 4761

June 14, 2023, Introduced by Reps. Aiyash, Farhat, Hoskins, O'Neal, Puri, Byrnes, Mentzer, Rheingans, Arbit, Morse, Hope, Wegela, Young, Price, McKinney, Glanville, Brixie, MacDonell, Tyrone Carter, Breen, Stone, Churches, Conlin, Hood, Weiss, Hill, Morgan, Wilson, McFall, Edwards, Rogers, Paiz, Martus, Pohutsky and Whitsett and referred to the Committee on Energy, Communications, and Technology.

A bill to amend 2008 PA 295, entitled

"Clean and renewable energy and energy waste reduction act,"

by amending sections 1, 7, 9, 13, 22, 71, 73, 75, 77, and 78 (MCL 460.1001, 460.1007, 460.1009, 460.1013, 460.1022, 460.1071, 460.1073, 460.1075, 460.1077, and 460.1078), sections 1, 7, 9, 13, 71, 73, 75, and 77 as amended and sections 22 and 78 as added by 2016 PA 342, and by adding sections 80, 80a, and 80b.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

Sec. 1. (1) This act ~~shall be known and~~ may be cited as the

"clean and renewable energy and energy waste reduction act".

(2) The purpose of this act is to promote the development and use of clean and renewable energy resources and the reduction of energy waste through programs that will cost-effectively do all of the following:

(a) Diversify the resources used to reliably meet the energy needs of consumers in this state.

(b) Provide greater energy security through the use of indigenous energy resources available within the state.

(c) Encourage private investment in renewable energy and energy waste reduction.

(d) Coordinate with federal regulations to provide improved air quality and other benefits to energy consumers and citizens of this state.

~~(e) Remove unnecessary burdens on the appropriate use of solid waste as a clean energy source.~~

~~(3) As a goal, not less than 35% of this state's electric needs should be met through a combination of energy waste reduction and renewable energy by 2025, if the investments in energy waste reduction and renewable energy are the most reasonable means of meeting an electric utility's energy and capacity needs relative to other resource options. Both of the following count toward achievement of the goal:~~

~~(a) All renewable energy, including renewable energy credits purchased or otherwise acquired with or without the associated renewable energy, and any banked renewable energy credits, that counted toward the renewable energy standard on the effective date of the 2016 amendatory act that added this subsection, as well as renewable energy credits granted as a result of any investments~~

~~made in renewable energy by the utility or a utility customer after that effective date.~~

~~(b) The sum of the annual electricity savings since October 6, 2008, as recognized by the commission through annual reconciliation proceedings, that resulted from energy waste reduction measures implemented under an energy optimization plan or energy waste reduction plan approved under section 73.~~

Sec. 7. As used in this act:

(a) "Gasification facility" means a facility located in this state that, using a thermochemical process that does not involve direct combustion, produces synthesis gas, composed of carbon monoxide and hydrogen, from carbon-based feedstocks, ~~(~~such as coal, petroleum coke, wood, biomass, hazardous waste, medical waste, industrial waste, and solid waste, including, but not limited to, municipal solid waste, electronic waste, and waste described in section 11514 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.11514, ~~)~~ and that uses the synthesis gas or a mixture of the synthesis gas and methane to generate electricity for commercial use. Gasification facility includes the transmission lines, gas transportation lines and facilities, and associated property and equipment specifically attributable to such a facility. Gasification facility includes, but is not limited to, an integrated gasification combined cycle facility and a plasma arc gasification facility.

(b) "Incremental costs of compliance" means the net revenue required by an electric provider to comply with the renewable energy standard, calculated as provided under section 47.

(c) "Independent transmission company" means that term as defined in section 2 of the electric transmission line

certification act, 1995 PA 30, MCL 460.562.

(d) "Integrated gasification combined cycle facility" means a gasification facility that uses a thermochemical process, including high temperatures and controlled amounts of air and oxygen, to break substances down into their molecular structures and that uses exhaust heat to generate electricity.

(e) "Integrated pyrolysis combined cycle facility" means a pyrolysis facility that uses exhaust heat to generate electricity.

(f) "LEED" means the leadership in energy and environmental design green building rating system developed by the United States Green Building Council.

(g) "Load management" means measures or programs that target equipment or behavior to result in decreased peak electricity demand such as by shifting demand from a peak to an off-peak period.

(h) "Low-income customer" means a customer whose household income does not exceed 200% of the federal poverty level, as published by the United States Department of Health and Human Services under its authority to revise the poverty line under 42 USC 9902, or who is enrolled in any federal, state, or local program with similar income eligibility requirements, including, but not limited to, any of the following:

(*i*) Assistance from a state emergency relief program.

(*ii*) Food assistance programs.

(*iii*) Medicaid.

(i) ~~(h)~~ "Megawatt", "megawatt hour", or "megawatt hour of electricity", unless the context implies otherwise, includes the steam equivalent of a megawatt or megawatt hour of electricity.

(j) ~~(i)~~ "Modified net metering" means a utility billing method

that applies the power supply component of the full retail rate to the net of the bidirectional flow of kilowatt hours across the customer interconnection with the utility distribution system, during a billing period or time-of-use pricing period. A negative net metered quantity during the billing period or during each time-of-use pricing period within the billing period reflects net excess generation for which the customer is entitled to receive credit under section 177(4). Under modified net metering, standby charges for distributed generation customers on an energy rate schedule ~~shall~~ **must** be equal to the retail distribution charge applied to the imputed customer usage during the billing period. The imputed customer usage is calculated as the sum of the metered on-site generation and the net of the bidirectional flow of power across the customer interconnection during the billing period. The commission shall establish standby charges under modified net metering for distributed generation customers on demand-based rate schedules that provide an equivalent contribution to utility system costs. A charge for net metering and distributed generation customers established pursuant to section 6a of 1939 PA 3, MCL 460.6a, ~~shall~~ **must** not be recovered more than once. This subdivision is subject to section 177(5).

Sec. 9. As used in this act:

(a) "Natural gas provider" means an investor-owned business engaged in the sale and distribution at retail of natural gas within this state whose rates are regulated by the commission.

(b) "Pet coke" means a solid carbonaceous residue produced from a coker after cracking and distillation from petroleum refining operations.

(c) "Plasma arc gasification facility" means a gasification

facility that uses a plasma torch to break substances down into their molecular structures.

(d) "Provider" means an electric provider or a natural gas provider.

(e) "PURPA" means the public utility regulatory policies act of 1978, Public Law 95-617.

(f) "Pyrolysis facility" means a facility that effects thermochemical decomposition at elevated temperatures without the participation of oxygen, from carbon-based feedstocks including, but not limited to, coal, wood, biomass, industrial waste, or solid waste, but not including pet coke, hazardous waste, coal waste, or scrap tires. Pyrolysis facility includes the transmission lines, gas transportation lines and facilities, and associated property and equipment specifically attributable to the facility. Pyrolysis facility includes, but is not limited to, an integrated pyrolysis combined cycle facility.

(g) "Qualifying high-efficiency electrification measures" means electric appliances or equipment installed in an existing home or building to convert energy usage from fossil fuels to electricity, and that meet appropriate standards for high energy efficiency. These standards may be added to or modified, with exceptions as appropriate, by the commission to reflect industry changes and best practices regarding cost-effective efficiency. Examples include, but are not limited to, any of the following:

(*i*) "Qualifying ground source heat pumps", which are ground source heat pumps that meet the standard of Energy Star Geothermal v3.2.

(*ii*) "Qualifying high-efficiency clothes dryers", which are dryers that meet Energy Star standards.

(*iii*) "Qualifying high-efficiency cold climate heat pumps", which are air source heat pumps that meet the standard of Energy Star Cold Climate v6.1.

(*iv*) "Qualifying high-efficiency cooking equipment", which includes cooktops and stovetops with induction heating technology.

(*v*) "Qualifying water heaters", which are water heaters that meet the Energy Star standards for residential water heaters.

Sec. 13. As used in this act:

(a) "Site" means a contiguous site, regardless of the number of meters at that site. A site that would be contiguous but for the presence of a street, road, or highway is considered to be contiguous for the purposes of this subdivision.

(b) "Transmission line" means all structures, equipment, and real property necessary to transfer electricity at system bulk supply voltage of 100 kilovolts or more.

(c) "True net metering" means a utility billing method that applies the full retail rate to the net of the bidirectional flow of kilowatt hours across the customer interconnection with the utility distribution system, during a billing period or time-of-use pricing period. A negative net metered quantity during the billing period or during each time-of-use pricing period within the billing period reflects net excess generation for which the customer is entitled to receive credit under section 177(4). This subdivision is subject to section 177(5).

(d) "Utility system resource cost test" means a standard that is met for an investment in energy waste reduction if, on a life cycle basis ~~,~~ **using a real societal discount rate based on actual long-term treasury bond yields, the sum of A and B is greater than C, where:**

(*i*) A equals the total avoided supply-side costs to the provider, including representative values for electricity or natural gas supply, transmission, distribution, and other associated costs. ~~, are greater than the~~

(*ii*) B equals the number of tons of reduced emissions in carbon dioxide equivalents multiplied by $100.00 per ton, adjusted annually for inflation using the Consumer Price Index. As used in this subparagraph, "Consumer Price Index" means the most comprehensive index of consumer prices available for this state from the United States Department of Labor, Bureau of Labor Statistics.

(*iii*) C equals the total costs to the provider of administering and delivering the energy waste reduction program, including net costs for any provider incentives paid by customers and capitalized costs recovered under section 89.

(e) "Wind energy conversion system" means a system that uses 1 or more wind turbines to generate electricity and has a nameplate capacity of 100 kilowatts or more.

(f) "Wind energy resource zone" or "wind zone" means an area designated by the commission under section 147.

Sec. 22. (1) Renewable energy plans and associated revenue recovery mechanisms filed by an electric provider, approved under former section 21 or 23 or found to comply with this act under former section 25 and in effect on ~~the effective date of the 2016 amendatory act that added this section,~~ **April 20, 2017,** remain in effect, subject to amendments as provided for under subsections (3) and (4).

(2) For an electric provider whose rates are regulated by the commission, amended renewable energy plans ~~shall~~ **must** establish a

nonvolumetric mechanism for the recovery of the incremental costs of compliance within the electric provider's customer rates. The revenue recovery mechanism ~~shall~~ **must** not result in rate impacts that exceed the monthly maximum retail rate impacts specified under section 45. The revenue recovery mechanism is subject to adjustment under sections 47(4) and 49.

(3) ~~Within 1 year after the effective date of the 2016 amendatory act that added this section,~~ **Not later than April 20, 2018,** the commission shall review each electric provider's **renewable energy** plan pursuant to a filing schedule established by the commission. For an electric provider whose rates are regulated by the commission, the commission shall conduct a contested case hearing on the **renewable energy** plan pursuant to the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328. After the hearing, the commission shall approve, with any changes consented to by the electric provider, or reject the **renewable energy** plan and any amendments to the **renewable energy** plan. For all other electric providers, the commission shall provide an opportunity for public comment on the **renewable energy** plan. After the applicable opportunity for public comment, the commission shall determine whether any amendment to the **renewable energy** plan proposed by the provider complies with this act. For alternative electric suppliers, the commission shall approve, with any changes consented to by the electric provider, or reject any proposed amendments to the **renewable energy** plan. For cooperative electric utilities and municipally owned utilities, the proposed amendment is adopted if the commission determines that it complies with this act.

(4) If an electric provider proposes to amend its **renewable**

energy plan after the review process under subsection (3), the electric provider ~~shall~~ **must** file the proposed amendment with the commission. For an electric provider whose rates are regulated by the commission, if the proposed amendment would modify the revenue recovery mechanism, the commission ~~shall~~ **must** conduct a contested case hearing on the amendment ~~pursuant to~~ **in accordance with** the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328. After the hearing and within 90 days after the amendment is filed, the commission shall approve, with any changes consented to by the electric provider, or reject the **renewable energy** plan and the proposed amendment or amendments to the **renewable energy** plan. For all other electric providers, the commission shall provide an opportunity for public comment on the amendment. After the applicable opportunity for public comment and within 90 days after the amendment is filed, the commission shall determine whether the proposed amendment to the **renewable energy** plan complies with this act. For alternative electric suppliers, the commission shall approve, with any changes consented to by the electric provider, or reject any proposed amendments to the **renewable energy** plan. For cooperative electric utilities and municipally owned utilities, the proposed amendment is adopted if the commission determines that it complies with this act.

(5) For an electric provider whose rates are regulated by the commission, the commission shall approve the **renewable energy** plan or amendments to the **renewable energy** plan if the commission determines **all of the following**:

(a) That the **renewable energy** plan is reasonable and prudent. In making this determination, the commission shall take into consideration **both of the following**:

(*i*) The projected costs and whether or not projected costs in prior **renewable energy** plans were exceeded.

(*ii*) Any significant issues raised in a public input hearing under section 6aa of 1939 PA 3, MCL 460.6aa.

(b) That the **renewable energy** plan is consistent with the ~~purpose and goal~~ **purposes** set forth in section 1(2) ~~and (3)~~ and meets the renewable energy credit standard through 2021.

(c) That the renewable energy plan promotes the public interest.

(6) If the commission rejects a proposed **renewable energy** plan or amendment under this section, the commission shall explain in writing the reasons for its determination.

Sec. 71. (1) A provider shall file a proposed energy optimization plan with the commission within the following time period:

(a) For a provider whose rates are regulated by the commission, by March 3, 2009.

(b) For a cooperative electric utility that has elected to become member-regulated under the electric cooperative member-regulation act, 2008 PA 167, MCL 460.31 to 460.39, or a municipally owned electric utility, by April 2, 2009.

(2) Energy optimization plans filed under subsection (1) remain in effect, subject to any amendments, as energy waste reduction plans.

(3) The ~~overall goal~~ **primary goals** of an energy waste reduction plan ~~shall be~~ **are** to help the provider's customers reduce energy waste and to reduce the future costs of provider service to customers, **including a focus on improving energy affordability for low-income customers**. ~~In particular, an~~ **An** electric provider's

energy waste reduction plan ~~shall~~ **must** be designed to delay the need for constructing new electric generating facilities and ~~thereby protect~~ **upgrading the components of the existing transmission and distribution system so that** consumers **are protected** from incurring the costs of ~~such~~ **the** construction **or upgrades. An energy waste reduction plan must also be designed to help reduce greenhouse gas emissions associated with heating, cooling, and powering buildings in this state.**

(4) An energy waste reduction plan ~~shall~~ **must** do all of the following:

(a) Propose a set of energy waste reduction programs, ~~that include offerings~~ **including equitable programs** for ~~each customer class, including~~ low-income residential **customers that address the needs of each customer class and address historically unserved customer classes and communities.** The commission shall allow a provider **some** flexibility to tailor the relative amount of effort devoted to each customer class based on the specific characteristics **and needs** of **the customers within** the provider's service territory.

(b) Specify necessary funding levels.

(c) Describe how energy waste reduction program costs will be recovered as provided in section 89(2).

(d) Ensure, to the extent feasible, that charges collected from a particular customer rate class are spent on energy waste reduction programs that benefit that rate class.

(e) Demonstrate that the proposed energy waste reduction programs and funding are sufficient to ensure the achievement of applicable energy waste reduction standards.

(f) Specify whether the number of megawatt hours of

electricity or decatherms or MCFs of natural gas used in the calculation of incremental energy savings under section 77 will be weather-normalized or based on the average number of megawatt hours of electricity or decatherms or MCFs of natural gas sold by the provider annually during the previous 3 years to retail customers in this state. Once the plan is approved by the commission, this option ~~shall~~ **must** not be changed.

(g) Demonstrate that the provider's energy waste reduction programs, excluding program offerings to low-income residential customers, will collectively be cost-effective.

(h) Provide for the practical and effective administration of the proposed energy waste reduction programs. ~~The commission shall allow providers flexibility in designing their energy waste reduction programs and administrative approach, including the flexibility to determine the relative amount of effort to be devoted to each customer class based on the specific characteristics of the provider's service territory~~. A provider's energy waste reduction programs or any part ~~thereof,~~ **of an energy waste reduction program** may be administered, at the provider's option, by the provider, alone or jointly with other providers, by a state agency, or by an appropriate experienced nonprofit organization selected after a competitive bid process.

(i) Include a process for obtaining an independent expert evaluation of the actual energy waste reduction programs to verify the incremental energy savings from each energy waste reduction program for purposes of section 77. ~~All such evaluations are~~ **An evaluation under this subdivision is** subject to public review and commission oversight.

(j) Include details on how the energy waste reduction plan

reduces energy burdens and improves affordability for low-income residential single-family and multifamily customers.

(5) Subject to subsection (6), an energy waste reduction plan may do 1 or more of the following:

(a) Utilize educational programs designed to alter consumer behavior or any other measures that can reasonably be used to meet the goals set forth in subsection (3).

(b) Propose to the commission measures that are designed to meet the goals set forth in subsection (3) and that provide additional customer benefits.

(6) Expenditures under subsection (5) ~~shall~~ **must** not exceed 3% of the costs of implementing the energy waste reduction plan.

Sec. 73. (1) A provider's energy waste reduction plan ~~shall~~ **must** be filed with, reviewed by, and approved or rejected by the commission **every 2 years through December 31, 2024, and every 3 years beginning January 1, 2025.** For a provider whose rates are regulated by the commission, the **energy waste reduction** plan ~~shall~~ **must** be enforced by the commission. For a provider whose rates are not regulated by the commission, the **energy waste reduction** plan ~~shall~~ **must** be enforced as provided in section 99. Notwithstanding any other provision of this subpart, the commission shall allow municipally owned electric utilities to design and administer energy waste reduction plans in a manner consistent with the administrative changes approved in the commission's April 17, 2012 order in case nos. U-16688 to U-16728 and U-17008.

(2) The commission shall not approve a proposed energy waste reduction plan unless the commission determines that the energy waste reduction plan meets the utility system resource cost test and ~~, subject to section 78,~~ is reasonable and prudent. In

determining whether the energy waste reduction plan is reasonable and prudent, the commission shall review each element and consider whether it would reduce the future cost of service for the provider's customers. In addition, the commission shall consider at least all of the following:

(a) The specific changes in customers' consumption patterns that the proposed energy waste reduction plan is attempting to influence.

(b) The cost and benefit analysis and other justification for specific programs and measures included in a proposed energy waste reduction plan.

(c) Whether the proposed energy waste reduction plan is consistent with any long-range resource plan filed by the provider with the commission.

(d) Whether the proposed energy waste reduction plan will result in any unreasonable prejudice or disadvantage to any class **or sub-class** of customers.

(e) The extent to which the energy waste reduction plan provides programs that ~~are~~ **reduce energy burdens and improve affordability, and are also** available, affordable, and useful to all customers, **including low-income single-family and multifamily customers. This includes a focus on energy waste reduction programs, measures, and benefits in communities with high energy burdens and those disproportionately impacted by social, economic, and environmental harms.**

(f) The extent to which there is equitable participation in the creation of a utility's energy waste reduction plan and the commission's approval of the plan, especially by low-income residential customers, residential customers that experience high

energy burdens, and environmental justice and other community-based organizations. Participation in the creation of a utility's plan may include, but is not limited to, pre-case discussions and ideas from the energy waste reduction and low-income energy waste reduction workgroups, discussions and ideas from the energy affordability and accessibility collaborative, and direct or indirect energy waste reduction case involvement, such as written or verbal public comments, case intervention, and community meetings.

(g) Any significant issues raised in a public input hearing under section 6aa of 1939 PA 3, MCL 460.6aa.

(3) Every 2 years after initial approval of an energy waste reduction plan under subsection (2) **until December 31, 2024, and every 3 years beginning January 1, 2025,** the commission shall review the **energy waste reduction** plan. For a provider whose rates are regulated by the commission, the commission shall conduct a contested case hearing on the **energy waste reduction** plan ~~pursuant to~~ **in accordance with** the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328. After the hearing, the commission shall approve, with any changes consented to by the provider, or reject the **energy waste reduction** plan and any proposed amendments to the **energy waste reduction** plan.

(4) If a provider proposes to amend its **energy waste reduction** plan at a time other than during the ~~biennial~~ review process under subsection (3), the provider ~~shall~~ **must** file the proposed amendment with the commission. After the hearing and within 90 days after the amendment is filed, the commission shall approve, with any changes consented to by the provider, or reject the **energy waste reduction** plan and the proposed amendment or amendments to the **energy waste**

reduction plan. **In approving an amendment to the energy waste reduction plan under this subsection, the commission shall consider any significant issues raised in a public input hearing under section 6aa of 1939 PA 3, MCL 460.6aa.**

(5) If the commission rejects a proposed **energy waste reduction** plan or amendment under this section, the commission shall explain in writing the reasons for its determination.

~~(6) After December 31, 2021, this section does not apply to an electric provider whose rates are not regulated by the commission.~~

Sec. 75. (1) An energy waste reduction plan of a provider whose rates are regulated by the commission may authorize a commensurate financial incentive for the provider for exceeding the energy waste reduction standard. Payment of any financial incentive authorized in the energy waste reduction plan is subject to the approval of the commission.

(2) The total amount of a financial incentive for an electric provider that achieves annual incremental savings of greater than ~~1.5%~~ **2.25%** of its total annual retail electricity sales in megawatt hours in the preceding year **with an average savings life of at least 10 years** or a natural gas provider that achieves annual incremental savings of greater than ~~1%~~ **1.75%** of its total annual retail natural gas sales in decatherms in the preceding year **with an average savings life of at least 12 years** shall not exceed ~~the lesser of the following amounts:~~

~~(a) 30% of the net present value of life-cycle cost reductions experienced by the provider's customers as a result of implementation, during the year for which the financial incentive is paid, of the energy waste reduction plan.~~

~~(b) 20%~~ **25%** of the provider's actual energy waste reduction

program expenditures for the year.

~~(3) The total amount of the financial incentive for an electric provider that achieves annual incremental savings of greater than 1.25% but not greater than 1.5% of its total annual retail electricity sales in megawatt hours in the preceding year or a natural gas provider that achieves annual incremental savings of greater than 0.875% but not greater than 1% of its total annual retail natural gas sales in decatherms in the preceding year shall not exceed the lesser of the following amounts:~~

~~(a) 27.5% of the net present value of life-cycle cost reductions experienced by the provider's customers as a result of implementation, during the year for which the financial incentive is paid, of the energy waste reduction plan.~~

~~(b) 17.5% of the provider's actual energy waste reduction program expenditures for the year.~~

(3) ~~(4)~~ The total amount of a financial incentive for an electric provider that achieves annual incremental savings of ~~at least 1.0% but not greater than 1.25%~~ **1.5%** of its total annual retail electricity sales in megawatt hours in the preceding year **with an average savings life of at least 10 years** or a natural gas provider that achieves annual incremental savings of ~~at least~~ 0.75% ~~but not greater than 0.875%~~ of its total annual retail natural gas sales in decatherms in the preceding year **with an average savings life of at least 12 years** shall not exceed ~~the lesser of the following amounts:~~

~~(a) 25% of the net present value of life-cycle cost reductions experienced by the provider's customers as a result of implementation, during the year for which the financial incentive is paid, of the energy waste reduction plan.~~

~~(b) 15%~~ **10%** of the provider's actual energy waste reduction program expenditures for the year.

(4) The total maximum amount of a financial incentive for an electric provider that achieves annual incremental savings of at least 1.5% but less than 2.25% of its total annual retail electricity sales in megawatt hours in the preceding year with an average savings life of at least 10 years or a natural gas provider that achieves annual incremental savings of at least 0.75% but less than 1.75% of its total annual retail natural gas sales in decatherms in the preceding year with an average savings life of at least 12 years is an amount determined using linear interpolation between the maximum levels in subsections (2) and (3).

(5) Notwithstanding the maximum financial incentive levels calculated under subsections (2), (3), and (4), the maximum financial incentive earned by an electric or natural gas provider must not exceed 30% of the lifecycle cost reductions experienced by the provider's customers as a result of the implementation of the energy waste reduction plan during the year for which the financial incentive is paid.

Sec. 77. (1) ~~Except as provided in section 81 and subject~~ **Subject** to section 97, an electric provider's energy waste reduction programs under this subpart ~~shall~~ **must** collectively achieve ~~incremental energy savings each~~ **the following:**

(a) Each year ~~through 2021~~ **until December 31, 2024, incremental energy savings** equivalent to ~~1.0%~~ **1%** of total annual retail electricity sales in megawatt hours in the preceding year.

(b) Each year beginning January 1, 2025, incremental energy savings equivalent to 2% of total annual retail electricity sales in megawatt hours in the preceding year, with an average savings

life of at least 10 years.

~~(2) If an electric provider uses load management to achieve energy savings under its energy waste reduction plan, the minimum energy savings required under subsection (1) shall be adjusted by an amount such that the ratio of the minimum energy savings to the sum of actual expenditures for implementing its approved energy waste reduction plan and the load management expenditures remains constant.~~

(2) ~~(3) Subject~~ **Each year until December 31, 2024, subject** to section 97, a natural gas provider's energy waste reduction program under this subpart ~~shall~~ **must** achieve annual incremental energy savings ~~each year~~ equivalent to 0.75% of total annual retail natural gas sales in decatherms or equivalent MCFs in the preceding year.

(3) Each year beginning January 1, 2025, subject to section 97, a natural gas provider's energy waste reduction program under this subpart must achieve annual incremental energy savings equivalent to 1.5% of total annual retail natural gas sales in decatherms or equivalent MCFs in the preceding year, with an average savings life of at least 12 years.

(4) Natural gas providers must spend a minimum of 67% of their total energy waste reduction budget on measures that reduce space heating loads through improvements to any of the following:

(a) The building envelope, such as air sealing, insulation, or efficient windows and doors.

(b) The heating distribution systems and heating systems controls.

(c) The ventilation systems.

(5) Natural gas providers shall not spend energy waste

reduction budget on or count savings from the promotion or installation of gas furnaces, boilers, water heaters, or other gas-consuming equipment in residential buildings, except in the case of emergency or health-related replacements in low-income single-family and multifamily households. Natural gas providers may claim gas savings resulting from investments in efficient electrification, or investments in building envelope efficiency improvements made as part of projects involving efficient electrification, if the savings are not also counted toward an electric utility's savings goals. When a gas provider and an electric provider are both involved in an efficient electrification project, including a project that involves both building envelope efficiency and efficient electrification measures, the providers shall work together to reach an agreement on how savings claims will be allocated between the providers.

(6) ~~(4)~~ Incremental energy savings under subsection (1)**, (2),** or (3) for a year ~~shall~~ **must** be determined for a provider by adding the energy savings expected to be achieved by energy waste reduction measures implemented during that year under any energy waste reduction programs consistent with the provider's energy waste reduction plan. The energy savings expected to be achieved ~~shall~~ **must** be determined using a savings database or other savings measurement approach as determined reasonable by the commission.

(7) ~~(5)~~ For purposes of calculations under subsection (1)**, (2),** or (3)**,** total annual retail electricity or natural gas sales in a year ~~shall~~ **must** be based on 1 of the following at the option of the provider as specified in its energy waste reduction plan:

(a) The number of weather-normalized megawatt hours or decatherms or equivalent MCFs sold by the provider to retail

customers in this state during the year preceding the year for which incremental energy savings are being calculated.

(b) The average number of megawatt hours or decatherms or equivalent MCFs sold by the provider during the 3 years preceding the year for which incremental energy savings are being calculated.

~~(6) For any year after 2012, an electric provider may substitute renewable energy credits associated with renewable energy generated that year from a renewable energy system constructed after October 6, 2008, load management that reduces overall energy usage, or a combination thereof for energy waste reduction credits otherwise required to meet the energy waste reduction standard, if the substitution is approved by the commission. The commission shall not approve a substitution unless the commission determines that the substitution is cost-effective.~~

~~(7) Renewable energy credits, load management that reduces overall energy usage, or a combination thereof shall not be used by a provider to meet more than 10% of the energy waste reduction standard. Substitutions for energy waste reduction credits shall be made at the rate of 1 renewable energy credit per energy waste reduction credit.~~

Sec. 78. ~~(1) By January 1, 2022, and every 2 years thereafter, an electric provider whose rates are regulated by the commission shall file an energy waste reduction plan amendment with the commission under section 73 pursuant to a filing schedule established by the commission. The amendment shall detail the amount of energy waste reduction the electric provider proposes to achieve for the succeeding 2-year period. If the electric provider whose rates are regulated by the commission proposes a level of energy waste reduction that is higher than the level specified in~~

~~the provider's current energy waste reduction plan, the commission may approve the proposed higher level if the commission finds that it is the most reasonable and prudent. If the electric provider whose rates are regulated by the commission proposes a level of energy waste reduction that is lower than the level specified in the provider's current energy waste reduction plan, the commission may approve the proposed lower level if the commission finds that it is the most reasonable and prudent. If the commission finds that the proposed lower level of energy waste reduction is not the most reasonable and prudent, the level of energy waste reduction to be achieved by the electric provider whose rates are regulated by the commission for the succeeding 2-year period under the energy waste reduction plan shall be the same as the level specified in the provider's current energy waste reduction plan.~~

(1) ~~(2)~~ If over a ~~2-year~~ **3-year** period an electric provider whose rates are regulated by the commission cannot achieve the ~~level of~~ energy waste reduction ~~provided for in the energy waste reduction plan pursuant to subsection (1)~~ **standard** in a cost-effective manner, the provider may petition the commission in a contested case hearing under section 73 to establish an alternative energy waste reduction level for that provider.

(2) ~~(3)~~ If over a ~~2-year~~ **3-year** period a natural gas provider cannot achieve the energy waste reduction standard in a cost-effective manner, the natural gas provider may petition the commission to establish an alternative energy waste reduction standard for that provider.

(3) ~~(4)~~ A petition filed ~~pursuant to~~ **under** subsection ~~(3) shall~~ **(2) must** do all of the following:

(a) Identify the efforts taken by the natural gas provider to

meet the energy waste reduction standard.

(b) Explain why the energy waste reduction standard cannot reasonably and cost-effectively be achieved.

(c) Propose a revised energy waste reduction standard to be achieved by the natural gas provider.

(4) ~~(5)~~ If, based on a review of the petition filed under subsection ~~(3),~~ **(2),** the commission determines that the natural gas provider has been unable to reasonably and cost-effectively achieve the energy waste reduction standard, the commission shall revise the energy waste reduction standard as applied to the natural gas provider to a level that can reasonably and cost-effectively be achieved.

Sec. 80. (1) A provider shall offer low-income energy waste reduction programs, targeted at and designed for low-income single-family and multifamily households at or below 200% of the federal poverty level, as published by the United States Department of Health and Human Services under its authority to revise the poverty line under 42 USC 9902.

(2) An electric provider's annual expenditures to implement the low-income energy waste reduction programs and measures must be at least the greater of 1 of the following:

(a) 25% of total energy waste reduction program spending.

(b) The product of $60.00 and the total number of low-income households in a provider's service territory.

(3) A natural gas provider's annual expenditures to implement the low-income energy waste reduction programs and measures must be at least the greater of 1 of the following:

(a) 35% of total energy waste reduction program spending.

(b) The product of $60.00 and the total number of low-income

households in a provider's service territory.

(4) The low-income energy waste reduction program expenditure requirements are the minimum that a provider must meet. A provider may spend more than the minimum if it is necessary to address historically underserved households and communities and high energy burdens of low-income households. The commission shall approve plans submitted with additional spending if necessary to ensure the availability, accessibility, and affordability of energy waste reduction programs and essential utility services to all customers. The commission may approve a higher investment in low-income energy waste reduction to address high energy burdens.

(5) The ratio of spending on efficiency programs targeted at low-income multifamily households to spending on efficiency programs targeted at low-income single-family households must be designed to achieve levels of savings from each building type that are, at a minimum, approximately proportional to the magnitude of cost-effective lifetime savings potential in each building type. Additional spending may be allocated to low-income multifamily households as necessary to address historically underserved multifamily buildings and high energy burdens of low-income households in multifamily buildings.

(6) Low-income energy waste reduction programs must provide multiple pathways for low-income households to participate and focus on minimizing barriers to participation and reducing overly burdensome verification processes. Pathways must include a focus on minimizing time, hassle, and paperwork required, while providing reasonable assurance that single-family households and the majority of multifamily tenants in low-income buildings have incomes at or below 200% of the federal poverty level, as published by the United

States Department of Health and Human Services under its authority to revise the poverty line under 42 USC 9902. Eligible pathways may include, but are not limited to, the following:

(a) Proof of participation in another low-income qualified or affordable housing program with like eligibility.

(b) Location in a low-income census tract, such as United States Department of Housing and Urban Development qualifying census tracts.

(c) Participation in the Michigan Weatherization Assistance Program through the United States Department of Energy.

(d) Participation in energy assistance programs.

(7) At least 80% of low-income energy waste reduction program spending must be on building envelope efficiency improvements, including air sealing and insulation, HVAC distribution system efficiency improvements, including duct sealing and insulation, efficient electric HVAC equipment, and efficient electric water-heating equipment. A provider shall pay 100% of the cost of installation of the building envelop efficiency improvements in owner-occupied low-income homes, and provide a level of incentive that is high enough to achieve savings in low-income rental properties to meet requirements of subsection (1)(d) and to address high energy burdens and improve energy affordability.

(8) A provider shall invest in health and safety measures appropriate and necessary to address health and safety conditions that are impediments to implementing energy waste reduction measures in low-income single-family homes and multifamily buildings. Up to 15% of the total low-income energy waste reduction budget may be spent on health and safety measures. A provider shall report on the health and safety measures installed and its health

and safety spending at least annually. Health and safety measures eligible for this spending include, but are not limited to, any of the following:

(a) Remediation of vermiculite and presumed asbestos-containing materials.

(b) Mold- and moisture-related repairs.

(c) Water infiltration repairs.

(d) Structural repair or replacement.

(e) Plumbing leaks and sewer problems.

(f) Electrical upgrading.

(g) Inaccessible crawl spaces.

(h) Remediation of excessive clutter or hoarding.

(i) Correcting and repairing improper or ineffective HVAC venting.

(j) Integrated pest management.

(9) A provider shall work to co-deliver and coordinate low-income energy waste reduction offerings with other programs that serve low-income households to maximize the benefits going to these households. A provider shall market and implement low-income energy waste reduction programs in coordination with low-income bill payment assistance programs, payment plans, community solar, distributed generation solar, government-funded weatherization and rebate programs, other utility and government energy affordability and assistance programs, and all relevant federal rebates, tax credits, funding, and programs. A provider shall educate low-income customers on the range of energy and affordability services and programs and assist low-income customers with the enrollment process for any programs for which the customer is eligible, and cross-refer customers to relevant programs to ensure customers are

treated holistically for energy affordability issues. Co-delivery must also include incorporating funding streams whenever practicable to ensure programs are filling gaps and comprehensively serving low-income households. A provider shall offer co-delivery and coordination of low-income energy programs to both low-income single-family and multifamily households, including owners and residents, and shall issue a report at least annually.

(10) A provider shall collaborate with the department of health and human services to deliver low-income energy waste reduction programs and the Michigan Weatherization Assistance Program through the United States Department of Energy. The provider and department of health and human services must do all of the following:

(a) Engage in collaborative calls and meetings.

(b) Incorporate budgets to fill gaps and stretch the reach of programs further.

(c) Share data.

(d) Implement benefits aligned with federal Justice 40 Initiative goals.

(e) Create contractor and workforce training and development initiatives.

(f) Leverage federal and state dollars.

(g) Support community-action agencies and community-based organizations.

(h) Implement electrification measures.

(i) Implement new energy efficiency and weatherization tools and technology.

(11) A provider shall report low-income energy waste reduction programs progress and implementation at least biannually and

provide data on where low-income energy waste reduction programs and measures are being implemented, geographically, by zip code or census tract.

Sec. 80a. (1) Beginning January 1, 2025, an electric provider may offer and promote high-efficiency electrification measures that electrify space heating, water heating, cooling, drying, cooking, industrial processes, and other building and industrial end uses that would otherwise be served by combustion of fossil fuel on the premises, provided that the electrification measures reduce total energy consumption at the premises. Providers are encouraged to also promote, incentivize, and install building shell energy efficiency improvements in homes receiving high-efficiency electrification measures to reduce the amount of increased load on the electric system. The electric provider may calculate electrification savings, which is the reduction in energy consumption at the premises from the conversion of fossil fuel use to high-efficiency electric equipment toward achievement of its annual savings goals. The electrification savings at the premises must be calculated as the difference between the following:

(a) The reduction in Btu consumption of fossil fuels as a result of electrification, converted to kilowatt-hour equivalents by dividing by 3,412 Btus per kilowatt hour.

(b) The increase in kilowatt hours of electricity consumption resulting from the displacement of fossil fuel consumption as a result of electrification.

(2) At least 25% of all electrification savings calculated under subsection (1) counted toward an electric provider's annual savings requirement must be the result of electrification of end uses in low-income single-family and multifamily housing.

Electrification projects in low-income households must include the modeling of total energy costs to the homeowner or tenants, and must combine additional plans, mechanisms, and measures, such as solar and building envelope work, to ensure bills stay the same or decrease.

(3) An electric provider may recover the costs of offering and promoting qualifying high-efficiency electrification measures under this subsection. Electrification savings counted toward each year's annual savings requirement, excluding any savings from associated building shell efficiency improvements made in connection with an electrification project as described in subsection (4), must not be greater than:

(a) 10% per year for each year from 2025 through 2027.

(b) 15% per year for each year from 2028 through 2030.

(c) 20% per year for 2031 and all subsequent years.

(4) If an electric provider has a program to promote the installation of qualifying high-efficiency cold climate heat pumps or qualifying ground source heat pumps and includes incentives to improve building shell energy efficiency for participating homes installing heat pumps, the provider may count the savings from the building shell efficiency improvements toward each year's annual savings requirement, regardless of the original heating fuel source, subject to all of the following:

(a) Savings from building shell efficiency improvements for preexisting propane heating must be credited to electricity savings at a conversion rate of 27 kWh per gallon of propane saved.

(b) Savings from building shell efficiency improvements for preexisting oil heating must be credited to electricity savings at a conversion rate of 40 kWh per gallon of fuel oil saved.

(c) Savings for building shell efficiency improvements for preexisting natural gas heating must be credited to electricity savings at a conversion rate of 29 kWh per therm of gas saved.

Sec. 80b. (1) A provider shall invest in growing and hiring a diverse energy waste reduction workforce and contractors, including training and growth in hiring a workforce and contractors capable of delivering energy waste reduction measures such as building envelopes, heat pumps, health and safety measures, and other advanced efficiency and related measures.

(2) Workforce development efforts must focus on developing and hiring workers in or from low-income and environmental justice communities for work in energy waste reduction and related careers, including careers related to utility energy waste reduction programs, Michigan's Weatherization Assistance Program through the United States Department of Energy, and other opportunities.

(3) Workforce and contractor development efforts must include, but not be limited to, training, certification preparation, job readiness, and skill development, including soft skills, math skills, technical skills, certification test preparation, and other development needed, to participants. Workforce and contractor development efforts must be implemented, including coordinating recruitment, communications, ongoing engagement with potential employers, and activities such as job matchmaking initiatives; hosting events such as job fairs; collaborating with other training programs, working with community-based organizations, educational institutions such as community colleges, and community-based and labor-based training providers; and offering wrap-around services, such as childcare support, transportation, meals, and additional necessary resources, for participants in low-income communities,

and additional best practices.

(4) A provider shall report at least annually on its workforce and contractor development efforts as described under subsection (3).

Enacting section 1. This amendatory act does not take effect unless Senate Bill No.____ or House Bill No. 4760 (request no. 02853'23) of the 102nd Legislature is enacted into law.