

HBs 6063-6070

Increase Michigan's Energy Efficiency Standard

Bill Sponsors:

House: Fred Miller, Robert Jones, Bob Constan, Kathy Angerer, Lisa Brown, Joan Bauer, Gary McDowell, Deb Kennedy

Purpose of the bills

This package of bills will strengthen Michigan's current Energy Efficiency (EE) Savings Standard, enabling Michigan to capture vast quantities of the cheapest form of energy, while creating thousands of good paying jobs throughout the state.

The Opportunity and Potential of EE

Energy efficiency is Michigan's cheapest and most job-creating energy opportunity. At a cost of .03 per kWh¹, saving energy through energy efficiency makes far better financial sense than building new generating capacity, which costs more between .07 and .135 per kWh². Michigan can get the same amount of power from energy efficiency as it can from dirty sources of power at a small fraction of the cost.

In Michigan, the potential for capturing low-cost, pollution-free baseload power from energy efficiency is enormous, particularly through weatherizing energy-wasteful homes. According to the MI Department of Energy, Labor and Economic Growth, all of the money from the federal stimulus package devoted to low-income weatherization, plus all of the funds that will be generated by Michigan's current efficiency standard will weatherize 10% of DTE's low income customers. Vast quantities of energy are available by weatherizing the remaining 90% of low income customers, plus all other customers' homes and businesses – the majority of which are energy wasters.

A 2009 report published by Synapse Energy Economics, Inc. estimates that as much as 5,355 MW of clean, pollution-free energy could be captured and put on the market through EE measures in Michigan. Because Michigan is (even now) constructing new buildings without the most up-to-date energy efficiency features installed, virtually every single residential, business and commercial structure in Michigan could be improved for greater energy efficiency. Michigan can run EE programs for decades without running out of low cost energy.

How EE Works

As a result of the 2008 energy bills, all utility customers now pay a small "Energy Optimization" fee which funds their energy providers' energy efficiency programs for residential, commercial and industrial customers. EE programs work by helping customers reduce their need for electricity. A variety of discounts, rebates and grants provide financial incentives for interested customers to upgrade their home or business for greater efficiency. Details are on each electric provider's website: [DTE](#), [Consumers Energy](#), [Cherryland Electric](#), [Lansing Board of Water & Light](#), etc.

There are three primary means of achieving energy efficiency:

Weatherization – Weatherizing homes, businesses and manufacturing facilities can save tremendous amounts of energy by keeping heat in and cold out – or vice versa. Weatherization is particularly important in states with temperature extremes, like Michigan. Simple measures like caulking cracks or putting weather stripping around doors and windows can achieve significant savings. More extensive efficiency upgrades can include adding insulation and replacing windows and doors. Major efficiency upgrades should be preceded by an energy audit, provided by utilities, non-profit organizations, or community agencies. Audits help homeowners identify the improvements that will result in the biggest energy and utility bill savings.

Mechanical & Lighting Systems – After improving the building "envelope," it makes sense to retrofit heating, cooling and electrical systems. Installing high efficiency furnaces, water heaters and lighting can significantly reduce operating

costs – especially for businesses, schools and government buildings. The cost of the new equipment can generally be recouped in just a couple of years, yielding decades of lower utility bills.

Appliances – Since the federal Energy Star program was created, appliances such as refrigerators, ovens, washers and driers have become far more efficient. Replacing an old refrigerator with an Energy Star model can cut related energy costs in half. Efficient clothes and dish washers also save water, thus the need for heating that water.

Michigan is also working to create mechanisms to help low-income residents afford to participate, which is particularly important because low income homes are often the most energy-wasteful. Programs like Michigan SAVES³ (currently under development) will help qualifying homeowners finance their efficiency upgrades. For example, it may soon be possible for residents to finance the cost of weatherization through their property taxes, so that future owners of the home will share the cost – and reap the long-term benefits – of the energy savings.

Everybody Benefits From EE

The benefits to residents and business owners who participate in an energy efficiency program are clear:

- Utility bills are slashed
- The home or business's value increases
- Residents and employees are more comfortable year round

There are also significant benefits for those who *don't* choose to participate. Every kilowatt of electricity that one customer saves, results in an equal amount that doesn't have to be produced by more expensive sources. As a result, all ratepayers benefit from EE. Efficiency captures existing baseload power that already exists – the cheapest kind of energy there is. This keeps energy costs low for everyone.

EE = Jobs, Jobs, Jobs

Investments in energy efficiency create [more jobs per dollar](#) than either coal or nuclear power. Because energy efficiency programs exist in every corner of the state, jobs are created throughout the state. And, unlike coal or nuclear power, virtually all of the money spent on installing efficiency measures stays within the state, as local labor is usually used for EE installations.

Job categories created by efficiency investments include energy auditors and technicians, electricians, heating and cooling contractors, pipefitters and plumbers, builders and contractors, manufacturers, and program administrators. Efficiency upgrades drive demand for products made by Michigan companies such as Guardian Glass and Dow. Retailers such as hardware stores, lumber stores, big box stores and department stores all benefit from energy efficiency programs as people buy windows, storm doors, caulk, insulation as well as new appliances, furnaces, washers and dryers.

Summary

There are many choices Michigan can make to meet our future energy needs. The most powerful and economically beneficial energy choice should be energy efficiency. EE is bargain-basement cheap and reaps positive economic benefits that no other energy choice can match. And, it's Michigan's best mechanism for reducing greenhouse gas emissions.

Legislative Details

Michigan's current EE standard requires that utilities reach annual EE savings of 1% (for electric power) and .75% (for natural gas) by 2012, measured as a percentage of total annual retail sales. These bills ramp up the savings for each source of power in .25% increments so that each standard is doubled by 2016. Utilities shall maintain the 2016 annual savings standards until the financial benefits of EE investments no longer exceed the costs. Other states have been conducting cost-effective EE programs for years. *None* have reached a point where investing in efficiency doesn't make financial sense for ratepayers.

References

1. US Department of Energy, Federal Energy Regulatory Commission, Item Number A-3, June 19, 2008
2. Lazard, Levelized Cost of Energy Analysis, March 2008
(*The levelized cost of energy includes all costs and risks associated with a particular energy source, including construction, financing, liability, future carbon costs, etc.*)
3. Michigan Saves program update available at: http://www.michigan.gov/mpsc/0,1607,7-159-16377_47107_51666--,00.html