

**STATE OF MICHIGAN**  
**BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION**

In the matter, on the Commission’s own )  
motion, to implement the provisions of )  
Public Act 229 of 2023 and related )  
definitions of Public Act 235 of 2023. )  
\_\_\_\_\_ )

Case No. U-21567

**COMMENTS OF THE**  
**MICHIGAN ENERGY INNOVATION BUSINESS COUNCIL**  
**AND**  
**ADVANCED ENERGY UNITED**

**Introduction**

On November 28, 2023, Governor Whitmer signed into law Public Act 229 of 2023 (“PA 229”) and Public Act 235 of 2023 (“PA 235”), which amend the Clean and Renewable Energy and Energy Waste Reduction (“EWR”) Act, Public Act 295 of 2008. PA 229 took effect on February 13, 2024, and PA 235 took effect on February 27, 2024. On February 8, 2024, the Michigan Public Service Commission (“Commission”) opened a docket, Case No. U-21567, to implement PA 229 and the related definitions in PA 235, including changes to the EWR programs, such as the addition of efficient electrification measures, low-income programs, and workforce development programs. The February 8 Order contains seven questions upon which the Commission seeks input.

The Michigan Energy Innovation Business Council (“Michigan EIBC”)<sup>1</sup> and Advanced Energy United (“United”; collectively “Michigan EIBC/United”)<sup>2</sup> appreciate the opportunity to provide comments in response to certain questions in the February 8 Order, as set forth below. Michigan EIBC/United reserve the right to provide reply comments pertaining to any of the questions in the Order, regardless of whether Michigan EIBC/United address the question below.

## Comments

### 1. Regarding EFEL plans:

#### 1a) What components should be included in the definition and calculation of efficient and high-efficient electrification measures?

PA 235 Sec. 5(a) defines an “efficient electrification measure” as an “electric appliance or equipment installed in an existing building to electrify, in whole or in part, space heating, water heating, cooling, drying, cooking, industrial processes, or another building or industrial end use that would otherwise be served by the combustion of fossil fuels on the premises and that meets best-practice standards for cost-effective energy efficiency as determined by the commission.” PA 235 Sec. 5(a)(i-v) lists a number of efficient electrification measures that are included in this definition, but the definition is not limited to those measures.

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<sup>1</sup> The Michigan Energy Innovation Business Council is a trade organization tasked with growing Michigan’s advanced energy economy by fostering opportunities for innovation and business growth and offering a unified voice in creating a business-friendly environment for the advanced energy industry in Michigan.

<sup>2</sup> Advanced Energy United is a national business association representing leading companies in the advanced energy industry. United supports a broad portfolio of technologies, products, and services that enhance U.S. competitiveness and economic growth through an efficient, high-performing energy system that is clean, secure, and affordable.

It is important to note that the list provided in PA 235 Sec. 5(a)(i-v) is not all-encompassing, and the Commission should not limit eligibility to only the measures listed. For example, PA 235 Sec. 5(a)(i) lists “a cold-climate air-source heat pump” as an efficient electrification measure. However, there may be situations where an air-source heat pump that is not considered “cold-climate” is a more appropriate measure for a home’s heating and cooling solution. In this case, despite the air-source heat pump not being “cold-climate,” it would still meet the definition of “efficient electrification measure” because it would still meet “best-practice standards for cost-effective energy efficiency” as required by PA 235.

Given the difficulty in listing every “efficient electrification measure,” it may be more effective for the Commission instead to set standards by which to qualify measures or judge whether a measure would qualify. As the statute states, the Commission should determine efficient electrification measures that meet “best-practice standards for cost-effective energy efficiency.” Residential, commercial, and industrial products that fall into this category should either meet recent ENERGY STAR criteria (when such ratings are available), or other voluntary standards, such as specifications developed by the Consortium for Energy Efficiency (“CEE”)<sup>3</sup> or the Northeast Energy Efficiency Partnerships (“NEEP”).<sup>4</sup> ENERGY STAR certifications are based on U.S. Environmental Protection Agency (“EPA”) energy efficiency specifications, which certify products that reduce energy usage and save home and business owners’ money on their energy bills. Electric measures that are certified through ENERGY STAR must meet specific criteria, depending on the technology or product, to reduce energy usage. For example, air-source heat

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<sup>3</sup> Consortium for Energy Efficiency. “Initiatives, Summaries and QPLs.” Available at <https://cee1.org/program-resources/>.

<sup>4</sup> Northeast Energy Efficiency Partnerships. “NEEP’s Cold Climate Air Source Heat Pump List.” Available at <https://neep.org/heating-electrification/ccashp-specification-product-list>.

pumps must meet specific energy efficiency criteria, have certain installation capabilities, and more, depending on the specific type of system being installed.<sup>5</sup> ENERGY STAR certified products are required to be tested through an EPA-recognized laboratory and then reviewed by a third-party certification organization to ensure they meet the energy efficiency standard set for the particular product by the EPA.<sup>6</sup> In some cases where a voluntary standard does not exist for a product, the Commission may need to develop its own qualification criteria, and leverage existing databases such as the Air-Conditioning, Heating, and Refrigeration Institute (“AHRI”) Directory of Certified Product Performance.<sup>7</sup> Michigan EIBC/United urge the Commission to utilize the ENERGY STAR, CEE, and NEEP specifications to define efficient electrification measures, as well as develop its own standards as needed for products not covered by these voluntary standards.

For the “cost-effective” component of the definition in PA 235, Section 5(a), the Commission should also consider the *total* cost of a potential efficient electrification measure. While a particular device or project may have a higher cost compared to a less efficient device or project, if its total cost over its lifetime is less compared to a less efficient alternative, the Commission should still consider it to meet the definition of an efficient electrification measure.

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<sup>5</sup> ENERGY STAR. “ENERGY STAR Program Requirements Product Specifications for Central Air Conditioner and Heat Pump Equipment.” January 2022. Available at <https://www.energystar.gov/sites/default/files/ENERGY%20STAR%20Version%206.1%20CACHP%20Final%20Specification%20and%20Partner%20Commitments%20%28Rev.%20January%20%202022%29.pdf>.

<sup>6</sup> ENERGY STAR. “What Makes a Product ENERGY STAR Certified?” Available at <https://www.energystar.gov/products/ask-the-experts/what-makes-product-energy-star-certified>.

<sup>7</sup> AHRI. “Directory of Certified Product Performance.” Available at <https://www.ahridirectory.org/Search/SearchHome?ReturnUrl=%2f>.

At a minimum, should the Commission not utilize the ENERGY STAR certification list or other voluntary lists, Michigan EIBC/United urge the Commission to ensure that efficient electrification measures meet the efficiency standards for federal tax incentives.

1d) Should EFEL measures be added to the MEMD?

Yes, the Commission should update the Michigan Energy Measures Database (“MEMD”) to include EFEL measures as well as make other necessary updates to the database. Michigan EIBC/United recommend at a minimum that the Commission add measures that meet ENERGY STAR or other voluntary specifications to the MEMD (see Question 1a above).

Because the MEMD is used as a basis for determining initial energy efficiency savings calculations for energy efficiency programs, it is important that the MEMD be updated with EFEL measures, as PA 229 allows for both electric providers not regulated by the Commission and gas providers to count reductions in energy consumption as a result of electrification measures toward incremental energy savings goals. PA 229 Sec. 77(3) states that “if an electric provider whose rates are not regulated by the commission implements an efficient electrification measures plan as authorized by section 72, any reduction in energy consumption at a customer premises from the conversion of fossil fuel use to electric equipment qualifies as incremental savings for the purposes of subsections (1) and (2).” Additionally, PA 229 Sec. 77(6) states that “a natural gas provider may claim natural gas savings resulting from investments in qualifying efficient electrification measures...” To ensure that both electric providers not regulated by the Commission and gas

providers are able to utilize these changes in the law, Michigan EIBC urges the Commission to add EFEL measures to the MEMD.

Additionally, the MEMD may need to be updated to make changes to the calculations for measures that reduce space heating loads. PA 229 Sec. 75(4) creates an additional incentive for gas providers that meet a spending threshold on measures that reduce space heating loads, stating that “a natural gas provider that spends at least 67% of its total energy waste reduction budget on measures that reduce space heating loads is eligible for an additional incentive of 2.5% of the provider’s actual energy waste reduction program expenditures for the year.” As listed in PA 229 Sec. 75(4)(a-c), these measures include improvements to building envelopes, heating distribution systems and heating system controls, and ventilation systems. Therefore, it is important that the Commission update the MEMD to be able to sort measures by end use, including by end uses that meet criteria for reducing space heating loads.

Finally, Michigan EIBC/United encourage the Commission to provide clarity to electric providers regarding electrification measures in the MEMD that fall outside of fuel-switching. Specifically, the Commission should ensure there is clarity in the MEMD for how savings can be claimed for moving from a less efficient electric heating and/or cooling source to a more efficient electric heating and/or cooling source, such as replacing an electric space heater with an air-source heat pump. The Commission should make it clear that this type of electrification measure would not be a fuel-switching application, and therefore, the electric utility would be able to claim savings toward its EWR standard.

2) Section 77(6) of Act 229 states that providers may allocate savings between an electric provider and a natural gas provider for measures and programs implemented. Should there be a standard allocation developed within the EO (formerly EWR) Workgroup Collaborative to provide a uniform process for all providers to comply with?

PA 229 Section 77(6) states that “when a natural gas provider and an electric provider are both involved in a qualifying efficient electrification measures project, including a project that involves both building envelope efficiency and qualifying efficient electrification measures, the providers shall work together to reach an agreement on how savings claims will be allocated between the providers. The commission may adopt standards or default provisions for the allocation of savings claims between providers that apply if the providers are unable to reach an agreement.” Michigan EIBC/United suggest that the Commission should provide guidance to providers and/or a uniform process for compliance, as guidance may provide clarity to providers on their role in efficient electrification projects. To do this, Michigan EIBC/United urge the Commission to utilize an existing workgroup, such as the EWR Collaborative or the EWR Low Income Workgroup, to allow for stakeholder input on a uniform process. If the Commission creates a uniform process for determining savings allocations, Michigan EIBC/United recommend that the allocations should be divided in proportion to the dollars each provider contributed to a project.

3) Act 229 states that cold climate heat pumps (CCHP) and ground source heat pumps (GSHP) must be qualified projects. What would qualify CCHP and GSHP for purposes of Act 229?

A qualifying heat pump or other electrification measure would need to meet the definition of “efficient electrification measure” under PA 295 Sec. 5(a), and Michigan EIBC/United encourage the Commission to refer to Question 1(a) for suggested criteria for determining an “efficient electrification measure.”. Michigan EIBC/United assume that it was the intent of Act 229 to utilize the broader definition of an efficient electrification measure when determining a qualifying product, and as stated in Question 1(a), efficient electrification measures should meet ENERGY STAR or other voluntary standards, meaning that they meet EPA energy efficiency specifications to reduce energy usage. Michigan EIBC/United encourage the Commission to interpret “qualifying” under PA 229 Sec. 4 to mean that the measure used under an electric provider’s program meets the criteria for an efficient electrification measure.

4) What does MCL 460.1077(6) require regarding natural gas providers’ ability to claim savings from electrification measures?

PA 229 Sec. 77(6) states that “a natural gas provider may claim natural gas savings resulting from investments in qualifying efficient electrification measures, or investments in building envelope improvements made as a part of projects involving qualifying efficient electrification measures, if the savings are not also counted toward an electric utility’s savings goals.” Given this, provided that the savings are not also counted toward an electric utility’s savings goals, gas providers may count reductions in energy consumption as a result of efficient electrification measures toward



their natural gas savings goals under PA 229 Sec. 77(7). Gas providers should be able and encouraged to claim savings that electrify or partially electrify through efficient electrification measures. Michigan EIBC/United urge the Commission to clarify that gas providers have the opportunity to claim savings with electrification measures through their EWR plans.

For building envelope improvements, as stated above, if the Commission chooses to create a uniform process for determining savings allocations, the allocations should be divided in proportion to the dollars each provider contributed to a project.

5) How should investments in workforce development be counted toward the required energy savings for the program year? Should this be done on a deemed-savings basis, similar to investments in health and safety measures?

PA 229 Sec. 80a(1-3) creates new requirements for energy providers with more than 50,000 customers to “invest in hiring and developing a diverse energy waste reduction workforce” as well as “report to the commission on its workforce and contractor development efforts.” The statute does not suggest that investments in workforce development should be counted toward the required energy savings for the program year. Although a qualified and trained workforce is essential for market transformation and quality installations, Michigan EIBC/United strongly recommend against attributing savings to investments and workforce development, as these investments do not produce direct energy savings. It would be impossible, therefore, to accurately equate these investments to actual energy savings. In addition, Michigan EIBC/United do not believe that there is any statutory basis or guidance for providing savings for these investments.

How to measure providers' investments in workforce development should be examined in more detail and should consider a market transformation framework. Michigan EIBC/United suggest the Commission utilize an existing workgroup, such as the Energy Optimization Collaborative, to further determine the workforce development requirements included in PA 229.

7) Any other issues related to implementation of Act 229 on which interested persons may wish to comment

In Case No. U-21567, the Commission states that, "EFEL plans apply only to electric providers" and the open docket expands on the requirements for electric providers choosing to file EFEL plans. In addition to the changes in PA 229 that create new EFEL plans for electric providers, it is important for the Commission to recognize new potential opportunities for gas providers to claim efficient electrification savings through new EWR plans. As mentioned above, PA 229 Sec. 77(6) states that "a natural gas provider may claim natural gas savings resulting from investments in qualifying efficient electrification measures, or investments in building envelope improvements made as a part of projects involving qualifying efficient electrification measures, if the savings are not also counted toward an electric utility's savings goals." Because of this, Michigan EIBC/United encourage the Commission to clarify that gas utilities are able and encouraged to claim savings resulting from efficient electrification measures, in a similar manner to the clarification provided by the Commission in this docket regarding electric providers' ability to claim savings through electrification measures. Doing so will provide both providers and other stakeholders certainty for future EWR cases.

Beyond this clarification, the Commission should actively encourage natural gas providers to incorporate efficient electrification measures in their efforts to obtain the statutory EWR standards. Relying solely on building envelope efficiency improvements may not be sufficient to meet the required reduction levels. Although Michigan EIBC/United strongly encourage providers to meet the energy waste reduction standard required under statute, PA 229, Section 78(2) allows natural gas providers to petition the Commission for an alternative EWR standard. In anticipation of the possibility that gas providers take this approach, the Commission should take this opportunity to advise natural gas providers through this proceeding that such petitions will not be looked upon favorably if efficient electrification measures have not been legitimately considered and implemented.

In addition, to the extent applicable, Michigan EIBC/United recommend that the Commission and Staff bear in mind in the EWR provisions in PA 229 when conducting the assessment of the potential for EWR under Case No. U-21570.

## **Conclusion**

Michigan EIBC/United appreciate the opportunity to provide comments on issues related to the changes to the EWR programs. We strongly urge the Commission to utilize ENERGY STAR certification lists or similar voluntary standards for the new electrification programs, while providing clarity to both providers and stakeholders by updating the MEMD and setting guidelines for providers, whether gas or electric, involved in electrification projects.