

SELF-DIRECTED ENERGY OPTIMIZATION PLANS

Presented by: David E. S. Marvin,
Fraser Trebilcock Davis & Dunlap, P.C.

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OVERVIEW OF PRESENTATION

- What is a self-directed energy optimization plan?
- What is the source of this option?
- Why would a customer self-direct?
- Who is eligible?
- General principles and limitations
- Impact of future MPSC orders
- What must be included in the plan?
- Confidentiality
- Continuing obligations
- Revising a plan
- Penalties for failure to meet targets

What is a self-directed energy optimization plan?

An opportunity for a larger electric customer to design and implement its own individually customized program of energy efficiency, load management, and/or energy conservation and thereby avoid some of the charges that would otherwise apply under the general energy optimization plan administered by that customer's electric provider.

What is the source of this option?

Section 93 of Public Act 295 of 2008 (f/k/a SB 213):

“An eligible primary or secondary electric customer is exempt from charges the customer would otherwise incur under section 89 or 91 if the customer files with its electric provider and implements a self-directed energy optimization plan as provided in this section.” [93(1)]

Why would a customer self-direct?

Pros:

- Potential for cost savings
- Increased control over the process

Cons:

- Risk of penalties if plan does not meet targets
- Costs of internal personnel or service company
- Plans and measurement can be complicated
- Costs of “rates, terms, and conditions of service” to be established by MPSC under subsection 93(3)
- Loss of eligibility to participate in the provider's energy optimization programs (including natural gas?) [93(7)]
- Inability to cost-effectively meet minimum energy savings

Who is eligible to self-direct?

Primary or secondary electric customers that:

- Elect to File a Plan
- Meet the Minimum Load Requirements
- File the Plan with the Provider
- Implement the Plan

Minimum Load Requirements

- Depend on the customer's peak demand, not energy usage
- Different minimums apply to the load at an individual site and the aggregated loads at multiple sites
- Customer must meet either single site minimum OR aggregated minimum, but not both
- Minimum levels vary by year
- Levels measured on basis of loads in preceding calendar year
- Minimum levels decline over time

Minimum Load Required For A Self-Directed E O Plan

Plan Year	Peak Load @ Individual Site	Aggregated Peak Loads @ Multiple Sites
2009	2 MW	10 MW
2010	2 MW	10 MW
2011	1 MW	5 MW
2012	1 MW	5 MW
2013	1 MW	5 MW
2014 & after	n/a; only aggregated minimum applies	1 MW

Definition of "site"

- "Site" is defined as "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 shall be considered to be contiguous for the purposes of this subdivision." [13(a)]
- A requirement of contiguity does not impose a size limit.
- Any number of adjacent parcels of property could constitute a single "site."

General principles

- ❑ A self-directed plan is an option, not an obligation.
- ❑ Not all large customers are automatically exempt.
- ❑ Limited to electric energy.
- ❑ Customer (or its service company) develops plan and files it with provider, not MPSC.
- ❑ No provision for self-directed energy optimization plans for natural gas use.

Key limitation

- Customers with less than 2 MW @ a site or 10 MW @ aggregated sites must use an energy optimization service company to administer their self-directed plans.
[sec 93(4)(a)]
- Limitation applies in every year.

Future MPSC order(s) relevant to self-direction

- ❑ Establish rates for those who do not self-direct [89(4) or 91(3)]
- ❑ Establish low income energy optimization program [sec 89(5)]
- ❑ Establish rates, terms, and conditions for self-direction [sec 93(3)]
- ❑ Require use of energy optimization service company by customers with less than 2 MW @ a site or 10 MW @ aggregated sites [sec 93(4)(a)]
- ❑ Provide mechanism to charge self-directing customers for the provider's costs of reviewing and evaluating self-directed energy optimization plans created by energy optimization service companies [sec 93(4)(b)]
- ❑ Provide mechanism to charge self-directing customers for their share of the costs of the low income energy optimization program [sec 93(4)(c)]
- ❑ Establish approval process for energy optimization service companies by September 1, 2010 [93(12)]

Implications of future orders

- Rates must be set before a customer can properly evaluate the cost effectiveness of self-direction
- Risk of excessive charges making self-directed plans uneconomic
- “Terms” and “conditions” might limit availability of option to self-direct
- Major timing issues for 2009:
 - Need to file plan before potential cost savings are known
 - No “approved” energy optimization service companies
 - Numerous key terms & conditions yet to be determined

What must be included in the plan?

1. Multi-year ongoing program. [93(5)(a)]
2. A statement of target annual aggregate energy savings. These must meet or exceed the energy optimization performance standards specified in section 77. [93(5)(b)]
3. A provision requiring normalization of annual electricity usage so that the calculation of the incremental energy savings does NOT include changes in electricity usage due to either of the following:
 - (a) “changes in business activity levels not attributable to energy optimization” or
 - (b) “the installation, operation, or testing of pollution control equipment.”[93(5)(c)]
4. A statement of whether usage will be (a) weather-normalized or (b) based on the average # of MWh “sold by the electric provider annually during the previous 3 years to retail customers in this state [sic].” [93(5)(d)]
5. An “outline” of how the customer intends to achieve the incremental energy savings specified in the plan. [93(5)(e)]

Confidentiality

- Plans and performance data have the potential to reveal trade secrets and confidential information
- MPSC entitled to copy of plan, upon request [93(11)]
- MPSC may request “additional information” [93(9)]
- Both the plan and any information submitted by the customer to the MPSC are “confidential” and exempt from disclosure under FOIA [93(6)]

Continuing Obligations

1. Report *to provider* every 2 years regarding:
 - energy efficiency measures taken
 - energy savings “that will result” [sic]
 - information to enable provider & MPSC to monitor progress toward goals
 - information to enable provider & MPSC to “develop reliable estimates of the energy savings that are being achieved” [93(9)]
2. File affidavit attesting that the information in the report is “true & correct” [93(8)]
3. “Promptly notify” provider if savings fail to meet targets in first year of any biannual reporting period [93(8)]
4. Upon request, provide the MPSC with “additional information” to ensure the accuracy of the provider's annual report to the MPSC [93(9)]

Revising a self-directed energy optimization plan

- “If a customer submitting a report or notice under [subsection 8] wishes to amend its self-directed plan, the customer shall submit with the report or notice an amended self-directed plan.” [93(8)]
- Selection of weather normalization vs. 3-year average is permanent. “Once the self-directed plan is submitted to the provider, this option shall not be changed.” [93(5)(d)]
- No other limits in statute, but the MPSC is to establish “rates, terms, and conditions of service” which *might* address this topic. [Sec 93(3)]
- Presumably includes the option to terminate the plan.

Penalties for Failure to Meet Targets

- Which targets? “...the *minimum* optimization goals under subsection (5)(b)...” [93(10)]
- Penalty is % of shortfall x charges avoided + multiplier [93(10)(a)&(b)]
- Multiplier is “not less than 1 or greater than 2...based on the reasons for failure to meet the minimum energy optimization goals.” [93(10)(c)]
- Penalties imposed only after a contested case hearing
- Payment to State of Michigan, not to the provider

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For further information, please contact David E. S. Marvin at 517.377.0825 or at dmarvin@fraserlawfirm.com