

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter, on the Commission's own motion, )  
regarding the regulatory reviews, revisions, )  
determinations, and/or approvals necessary for ) Case No. U-15882  
the CITY OF STEPHENSON to fully )  
comply with Public Act 295 of 2008 )  
\_\_\_\_\_)

**SUBMITTAL OF ENERGY OPTIMIZATION PLAN ANNUAL REPORT**

In accordance with the Commission's Order issued March 2, 2010, (Doc. No. 13), the City of Stephenson hereby submits its energy optimization plan annual report for 2009. A copy of this annual report, including any attachments, is attached.

Respectfully submitted,

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Dated: May 26, 2010

**City of Stephenson  
Energy Optimization Annual Report for 2009  
MPSC Case No. U-15882**

**Introduction**

Pursuant to 2008 Public Act 295 (PA 295), the City of Stephenson is filing this annual energy optimization (EO) report with the Michigan Public Service Commission (MPSC). This EO annual report consists of three sections:

- Section 1 will address the requirements under PA 295 Section 97, Subsections 1-3 and Section 71, Subsection 3 (i).
- Section 2 will summarize the EO programs implemented in 2009.
- Section 3 will provide additional information and goals for 2010 programs.

**SECTION 1: PA 295 SECTION 97 SUBSECTIONS 1-3 REQUIREMENTS**

***Section 97 (1) Each provider shall submit to the commission an annual report that provides information relating to the actions taken by the provider to comply with the energy optimization standards.***

The City of Stephenson has taken the following actions to comply with the EO standards:

- Filed a 2 ½ year Energy Optimization plan with the MPSC on March 31, 2009 as required by PA 295.
- This EO plan was approved by the MPSC on July 1, 2009.
- Launched energy optimization programs for all customer classes in November, 2009.
- Overall administration of the EO programs was the responsibility of City of Stephenson personnel.
- In addition, an implementation subcontractor, Clearesults, was selected to implement the Energy Star, Appliance Recycling program, Business Prescriptive and Business Custom programs.
- Administration and implementation of the EO programs were the responsibility of MECA and the City of Stephenson personnel.
- Contracted with Michigan Electric Cooperative Association (MECA) to implement the Residential Low Income program.
- Education for both Residential and Business was implemented by City of Stephenson in-house personnel.

- Contracted with KEMA, Inc. for obtaining an independent expert evaluation for the verification of incremental energy savings for each energy optimization program.

***Section 97 (2) Annual reports under subsection (1) shall include the following: (a) The number of energy optimization credits that the provider generated during the reporting period. (b) Expenditures made in the past year and anticipated future expenditures to comply with this subpart. (c) Any other information that the commission determines necessary.***

In the fall of 2009, the MPSC staff approved an interim report format for all the municipal utilities in Michigan. That interim report details the energy optimization credits generated, expenditures and surcharges collected from customers in the past year. The end of year interim report for 2009 can be found in Attachment A. Future expenditures for 2010 are expected to follow the EO Plan filing that was submitted and approved in 2009. Exceptions to that plan filing will be explained in Section 3 of this report.

***Section 97 (3) Concurrent with the submission of each report under subsection (1), a municipally-owned electric utility shall submit a summary of the report to its customers in their bills with a bill insert, to its governing body, at its office and on its website.***

The City of Stephenson will submit a copy of this annual report to its City Council. A summary of it will be sent to its customers through the bill insert and it will also be made available on the City's website no later than May 31, 2010.

***Section 71 (3)(i) Include a process for obtaining an independent expert evaluation of the actual energy optimization programs to verify the incremental energy savings from each energy optimization program for purposes of section 77.***

On December 28<sup>th</sup> MECA issued a Request for Proposal for the independent 3<sup>rd</sup> party evaluation for the EO Programs for both the cooperatives and the 4 Upper Peninsula municipals to 32 evaluation contractors. On January 22<sup>nd</sup>, MECA received bids from 4 of those contractors, (2 contractors submitted 1 bid with the other working as a subcontractor) resulting in 3 viable bids from which KEMA was selected.

The companies responding to the RFP were:

- GDS Associates
- KEMA, Inc.
- Opinion Dynamics (as prime contractor) & Cadmus (as subcontractor)

MECA ranked the bids using 11 different categories:

- Bid Price (15 points)

- How well they followed directions in the RFP (10 points)
- The completeness of the Bid (10 points)
- Clarity of their proposed evaluation plans (5 points)
- Experience (5 points)
- Viability – my perception of how well I think they can deliver what is in their plan (5 points)
- Proximity to Michigan (10 points)
- References (15 points)
- Did they respond to both the MECA Cooperative RFP and the MECA Municipal RFP (15 points)
- Did they identify any cost savings if they were awarded both the cooperative bid, the municipal bid, and the State Administered Bid (issued by MCAAA) (5 points)
- Are they currently working with other Michigan utilities (5 points)
- Total 100 points

Overall scoring of the three bidders was:

- 1<sup>st</sup> KEMA = 93%
- 2<sup>nd</sup> Opinion Dynamics = 79%
- 3<sup>rd</sup> GDS = 74%

KEMA started collecting data in late March 2010 and will complete the evaluation for each municipal under the RFP. A verification of 2009 savings is attached to this report as Attachment B.

## **SECTION 2: SUMMARY OF EO PROGRAMS IMPLEMENTED IN 2009**

### **Residential Low Income Services**

Residential low income program was implemented in November of 2009. Program forms are available for customers at City Hall. The City of Stephenson will pursue opportunities to partner with local organizations in 2010. The energy savings goals and the budget allocations from the 2009 Low Income program will be added to the goals for the 2010 program.

#### Low Income Program Summary

	2009 Goal	2009 Actual	Difference
Energy Savings (kWh)	429	0	429
Budget (\$)	285	0	285

### **Residential Solutions**

The programs below were made available to all City of Stephenson residential electric customers.

### Energy Star Product Program

A specialty lighting program was launched in November of 2009.

A program to send rebate checks to customers who buy CFL bulbs will be launched in March of 2010. This will be done through a third party, Cleareresults, who will verify the customers account number, send the rebate checks and track all the data. This program will be marketed through the Michigan-energy.org website.

### Appliance Recycling

The objective of this program was to produce long-term energy savings in the residential sector by removing operable, inefficient refrigerators and freezers from the power grid and recycling them in an environmentally safe manner. Target market is residential customers who have “second” or back-up units in their garage or basement. All units were required to be operable to participate in this program and each customer received a \$30 incentive for each unit recycled.

Cleareresults selected JACO Environmental as the recycling subcontractor to provide comprehensive turn-key services. JACO was responsible for qualifying customers, scheduling and tracking unit pick-ups and processing incentive payments.

### Residential Education Services

Nine percent of the EO budget was used on Residential education programs. These budget expenditures were used to communicate and educate customers on the benefits of energy efficiency, and load management. Budget funds for education are deemed to generate a proportional amount of the required energy savings for each program year in which the money is spent up to a maximum of 3%.

The City of Stephenson Residential Education Program was implemented by in-house personnel and Cleareresults. The City of Stephenson printed a billing insert that was distributed to customers.

### Residential Audit & Weatherization

Cleareresults has subcontracted with Apogee to implement an online audit that customers can complete, and be aware of places they can save energy.

### Residential Program Summary

Overall the 2009 residential programs were successful considering programs were not launched until late summer and early fall. The tables below summarize the energy savings achieved and budget expenditures from the 2009 residential programs compared to the 2009 EO Plan goals. The

residential program energy savings goals were bundled together to achieve the 2009 goals. Any net shortages or excess kilowatt hours and budget expenditures from the 2009 programs will be carried over into the 2010 program goals.

*Residential Energy Savings*

<b>Program</b>	<b>2009 kWh Goals</b>	<b>kWh Installed</b>	<b>Difference</b>
Energy Star	4342	0	4342
Appliance Recycling	1399	0	1399
Audit & Weatherization	171	0	171
Education Services	370		
Total			

*Residential Budget Summary*

<b>Program</b>	<b>2009 Budget</b>	<b>2009 Expenditures</b>	<b>Difference</b>
Energy Star	472	0	472
Appliance Recycling	314	0	314
Audit & Weatherization	56	0	56
Education Services	66	133	-67
Total	908	133	775

***Business Solutions***

The programs below were made available to all City of Stephenson commercial and industrial customers.

*Commercial and Industrial Prescriptive Incentive Program*

The Prescriptive Incentive program provides incentives when replacing inefficient equipment with high-efficiency electric technologies on a one-for-one basis. These incentives address the first-cost barrier for customers by providing financial incentives averaging 20% to 40% of the incremental cost of purchasing qualifying technologies. The program was marketed through trade allies, presentations at various organizations, local events and the Michigan-energy.org website.

*Commercial and Industrial Custom Incentive Program*

The objective of the Custom Incentive Program is to affect the installation of site-specific and unique energy efficiency technologies and process improvements (that do not fit the parameters of the Prescriptive Program) by business customers that would not have done so in the absence of the

program. This program was marketed through the same channels as the Prescriptive Program.

Business Education Services

Five percent of the EO budget was used on Business education programs. These budget expenditures communicated and educated customers on the benefits of energy efficiency, conservation and load management. Budget funds for education are deemed to generate a proportional amount of the required energy savings for each program year in which the money is spent.

The City of Stephenson Business Education program was implemented by in-house personnel. The City of Stephenson printed a billing insert that was distributed to customers.

Business Program Summary

The business programs were well received by our customers, however, due to the short time period to promote programs it was more difficult to achieve the goals. The business programs often required a significant investment from the customer and due to the economic conditions in Michigan many business customers were unable to fund major projects. It is anticipated that the 2010 programs will be more successful.

The tables below details the energy savings and the budget expenditures for the 2009 business programs compared to the 2009 EO Plan goals. Any net shortages or excess energy goals or budget expenditures from the 2009 programs will be carried over into the 2010 program goals.

Business Energy Savings Summary

<b>Program</b>	<b>kWh Goals</b>	<b>kWh Installed</b>	<b>Difference</b>
Prescriptive Incentive	8,589	0	8,589
Custom Incentive	1,820	0	1,820
Business Education	185	0	185
<b>Totals</b>	<b>10,594</b>	<b>0</b>	<b>10,5600</b>

Business Budget Summary

<b>Program</b>	<b>2009 Budget</b>	<b>2009 Expenditures</b>	<b>Difference</b>
Prescriptive Incentive	1,423	0	1423
Custom Incentive	446	0	446
Education Services	82	185	-103
<b>Total</b>	<b>1,951</b>	<b>185</b>	<b>1,766</b>

**SECTION 3: ADDITIONAL INFORMATION AND 2010 EO PROGRAMS**

This section provides additional information to 2009 programs and a summary of the 2010 Energy Optimization programs.

***Recovery of Costs from Customers***

The City of Stephenson started levying surcharges for the Energy Optimization programs in October 2009. Those surcharges are shown in the table below:

<b>Levelized Surcharges</b>		<b>2009-2011</b>
Residential	.00128 per kwh	7089
Commercial	3.82 per meter	16963

***Coordination of Energy Optimization Programs;***

The City of Stephenson has and will continue to meet with other utilities and agencies regarding the coordination of programs. In addition, the City of Stephenson has participated in the EO Collaborative meetings hosted by MPSC through our membership in Michigan Municipal Electric Association (MMEA).

***Energy Optimization Programs for 2010***

The City of Stephenson plans to launch the following new additional programs in 2010. These programs will be added to the existing portfolio of programs that were launched in 2009.

- Residential Appliances and HVAC (This a combination of the Energy Star Product and HVAC Equipment programs listed in the 2009 Plan filing. Due to limited budgets in both these programs the energy savings goals and the budgets will be blended together to ensure savings goals are met. This revision was approved for municipal utilities by the MPSC staff in the fall of 2009.)
- Residential Multi-Family In-Unit Efficiency
- Residential New Construction
- Residential & Commercial Pilot Programs

### Summary of Energy Optimization Programs for 2010

The table below shows: a) applicable revisions/adjustments from the 2009 programs; b) 2010 Plan Filing goals and 3) the revised energy savings and expenditure goals for 2010 programs.

### 2010 Energy Optimization Program Portfolio

Program Portfolio	2009 Revisions		2010 Plan Filing Goals		2010 Revised Goals	
	kWh Savings Revisions	Budget Revisions	Gross First Year kWh Savings	Program Budget	Gross First Year kWh Savings	Program Budget
Low Income Services	429	285	708	452	1137	737
Audit & Weatherization	171	56	282	85	453	141
Energy Star	4342	472	7157	719	11499	1191
Appliance Recycling	1399	314	2306	478	3705	792
HVAC	137	154	225	235	362	389
Multi-Family	109	58	180	118	289	176
New Construction	17	14	28	23	45	37
Educational Services	370	66	610	94	980	27
Pilot	555	109	914	156	1469	265
<b>Subtotal - Residential Solutions</b>	<b>7529</b>	<b>1528</b>	<b>12410</b>	<b>2360</b>	<b>19939</b>	<b>3755</b>
Prescriptive Incentive Program	8589	1423	14156	2573	22745	3996
Custom Incentive Program	1820	446	2999	553	4819	999
Educational Services	185	82	305	112	490	9
Pilot	370	136	610	186	980	322
<b>Subtotal - Business Solutions</b>	<b>10964</b>	<b>2087</b>	<b>18070</b>	<b>3424</b>	<b>29034</b>	<b>5326</b>
<b>Total Program Portfolio</b>	<b>18493</b>	<b>3615</b>	<b>30480</b>	<b>5784</b>	<b>48973</b>	<b>9081</b>
Program Administration		529		-182		0
Evaluation		289		463		463
MECA		0		100		100
<b>Subtotal - Admin/Evaluation</b>		<b>818</b>		<b>381</b>		<b>563</b>
<b>Total Program Implementation</b>		<b>4433</b>		<b>6165</b>		<b>9644</b>

# **ATTACHMENT A**

City of Stephenson  
Semi-Annual Energy Optimization Report  
December, 2009

	Current Period	Year to Date
<b><u>Revenue</u></b>		
<b>Net Revenue</b>	<b>2,416</b>	<b>2,393</b>
<b><u>Expenditures</u></b>		
All Programs (excluding Low Income)	318	318
Low Income Programs	-	-
<b>Total Expenditures</b>	<b>318</b>	<b>318</b>
<b>Over(Under) Collection</b>	<b><u>2,098</u></b>	<b><u>2,075</u></b>

**Energy Optimization Credits Generated**

All Programs (excluding low income)	-	-
Low Income Programs	-	-
<b>Total Energy Optimization Credits</b>	<b><u>-</u></b>	<b><u>-</u></b>

<b><u>Surcharge Billed</u></b>		
Residential	1,178	-
Commercial	1,238	-
-	-	-
-	-	-
-	-	-
Self Directed	-	-

To the best of our knowledge City of Stephenson has met the requirements of Public Act 295 regarding the Energy Optimization Program during the reporting period indicated above.

By \_\_\_\_\_

Date \_\_\_\_\_

City of Stephenson  
Semi-Annual Energy Optimization Report  
December, 2009

	Commercial and Industrial						Self Directed	Total	EO Credits Generated (kWh)
	Residential	Commercial	0	0	0	0			
<b>Revenue</b>									
Billed Revenue	1,178	1,238	-	-	-	-	-	2,416	
Less Revenue Tax	-	-	-	-	-	-	-	-	
<b>Net Revenue</b>	<b>1,178</b>	<b>1,238</b>	-	-	-	-	-	<b>2,416</b>	
<b>Expenses</b>									
<b>Residential</b>									
HVAC	-							-	-
Energy Star	-							-	-
Multi-Family	-							-	-
Audit & Weatherization	-							-	-
Appliance Recycling	-							-	-
New Construction	-							-	-
Pilot Program	-							-	-
Education	133							133	-
-	-							-	-
-	-							-	-
-	-							-	-
-	-							-	-
<b>Total Residential Programs</b>	<b>133</b>	-	-	-	-	-	-	<b>133</b>	-
<b>Commercial and Industrial</b>									
Prescriptive		-	-	-	-	-	-	-	-
Custom		-	-	-	-	-	-	-	-
Pilot Program		-	-	-	-	-	-	-	-
Education		185	-	-	-	-	-	185	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<b>Total C&amp;I Programs</b>	-	<b>185</b>	-	-	-	-	-	<b>185</b>	-
Administration	-	-	-	-	-	-	-	-	-
Evaluation	-	-	-	-	-	-	-	-	-
Low Income Programs	-	-	-	-	-	-	-	-	-
<b>Total Expense/EO Credits</b>	<b>133</b>	<b>185</b>	-	-	-	-	-	<b>318</b>	-
<b>Over(Under) Collection</b>	<b>1,045</b>	<b>1,053</b>	-	-	-	-	-	<b>2,098</b>	-

City of Stephenson  
 Budget to Actual Comparison, EO Program Expenditures  
 December, 2009

	Actual Year-to-Date	Budget	Budget to Actual	Percentage of Budget
<b><u>Residential</u></b>				
HVAC	-	154	154	0.00%
Energy Star	-	472	472	0.00%
Multi-Family	-	58	58	0.00%
Audit & Weatherization	-	56	56	0.00%
Appliance Recycling	-	314	314	0.00%
New Construction	-	14	14	0.00%
Pilot Program	-	109	109	0.00%
Education	133	66	(67)	201.52%
-	-	-	-	0.00%
-	-	-	-	0.00%
-	-	-	-	0.00%
-	-	-	-	0.00%
-	-	-	-	0.00%
<b>Total Residential</b>	<b>133</b>	<b>1,243</b>	<b>1,110</b>	<b>10.70%</b>
<b><u>Commercial and Industrial</u></b>				
Prescriptive	-	1,423	1,423	0.00%
Custom	-	446	446	0.00%
Pilot Program	-	136	136	0.00%
Education	185	82	(103)	225.61%
-	-	-	-	0.00%
-	-	-	-	0.00%
-	-	-	-	0.00%
-	-	-	-	0.00%
-	-	-	-	0.00%
<b>Total Commercial and Industrial</b>	<b>185</b>	<b>2,087</b>	<b>1,902</b>	<b>8.86%</b>
Administration	-	529	529	0.00%
Evaluation	-	289	289	0.00%
Low Income	-	285	285	0.00%
<b>Total Program Expenditures</b>	<b>318</b>	<b>4,433</b>	<b>4,115</b>	<b>7.17%</b>

City of Stephenson  
 Budget to Actual Comparison, EO Credits (kWh)  
 December, 2009

	Actual Year-to-Date	Budget	Budget to Actual	Percentage of Budget
<b><u>Residential</u></b>				
HVAC	-	137	137	0.00%
Energy Star	-	4,342	4,342	0.00%
Multi-Family	-	109	109	0.00%
Audit & Weatherization	-	171	171	0.00%
Appliance Recycling	-	1,399	1,399	0.00%
New Construction	-	17	17	0.00%
Pilot Program	-	555	555	0.00%
Education	-	370	370	0.00%
-	-	-	-	0.00%
-	-	-	-	0.00%
-	-	-	-	0.00%
-	-	-	-	0.00%
-	-	-	-	0.00%
<b>Total Residential</b>	<b>-</b>	<b>7,100</b>	<b>7,100</b>	<b>0.00%</b>
<b><u>Commercial and Industrial</u></b>				
Prescriptive	-	8,589	8,589	0.00%
Custom	-	1,820	1,820	0.00%
Pilot Program	-	370	370	0.00%
Education	-	185	185	0.00%
-	-	-	-	0.00%
-	-	-	-	0.00%
-	-	-	-	0.00%
-	-	-	-	0.00%
-	-	-	-	0.00%
-	-	-	-	0.00%
<b>Total Commercial and Industrial</b>	<b>-</b>	<b>10,964</b>	<b>10,964</b>	<b>0.00%</b>
Low Income	-	429	429	0.00%
<b>Total EO credits</b>	<b>-</b>	<b>18,493</b>	<b>18,493</b>	<b>0.00%</b>

# **ATTACHMENT B**



## Electric Municipal Audit of 2009 Energy Optimization Program Savings

This report presents the findings of an audit by KEMA, Inc, an independent evaluation contractor, of energy savings for the EO programs implemented the following four Michigan electric municipal utilities: Escanaba, Marquette, Newberry, and Stephenson. Table 1 identifies the audit findings for these Michigan electric municipals.

<b>2009 Energy Optimization Savings Report</b>		
<b>Municipals</b>		
<b>Cooperative</b>	<b>Savings (kWh)</b>	
	<b>Reported</b>	<b>Verified</b>
Escanaba	5,850	5,850
Marquette	-	-
Newberry	*	*
Stephenson	-	-
Totals	5,850	5,850
* Indicates no report received.		

**Table 1 Michigan Electric Cooperatives 2009 Energy Optimization Actual and Verified Savings (kWh)**

### Programs

**Residential** – Escanaba, the only municipal to report 2009 EO savings, self implemented a pre EnergyStar rebate program. .The audit verified that the savings from this measure were correctly derived from the MEMD.