

DEPARTMENT OF CONSUMER AND INDUSTRY SERVICES

PUBLIC SERVICE COMMISSION

RESIDENTIAL CONSERVATION PROGRAM STANDARDS

(By authority conferred on the public service commission by section 6c of Act No. 3 of the Public Acts of 1939, as amended, being S460.6c of the Michigan Compiled Laws)

R 460.2401 Definitions.

Rule 1. As used in these rules:

(a) "Act" means Act No. 3 of the Public Acts of 1939, as amended, being S 460.1 et seq. of the Michigan Compiled Laws.

(b) "Commission" means the public service commission.

(c) "Current" means that a customer has complied with appropriate tariff provisions of the public utility governing the payment of bills and these rules, and, in addition, means and includes residential customers who have entered and are up to date on budget payment or equal payment plans, and customers who offer to enter or who have entered and are complying with settlement agreements as provided by the commission's Consumer Standards and Billing Practices, Electrical and Gas Residential Service, being R 460.2101 et seq. of the Michigan Administrative Code.

(d) "Energy conservation program" means a program by which residential conservation measures are made available to some or all of a public utility's residential customers.

(e) "Multiple-family dwelling" means and includes such living facilities as cooperatives, condominiums, and apartments, provided that each household within the dwelling has normal household facilities, such as a bathroom, individual cooking, and a kitchen sink. "Multiple-family dwelling" does not include such living facilities as penal or corrective institutions, motels, hotels, dormitories, nursing homes, tourist homes, military barracks, hospitals, special care facilities, or any other facilities primarily associated with the purchase, sale, or supplying, for profit or otherwise, of a commodity, product, or service by a public person, entity, organization, or institution.

(f) "Public utility" means a company furnishing gas or electricity for public use at rates approved or prescribed by the commission.

(g) "Residential conservation measures" means conservation devices, services, and materials, including, but not limited to, caulking weatherstripping; modification or adjustment of furnaces and flues to improve their efficiency; furnace ignition systems; clock thermostats; ceiling, attic, wall, floor, and water heater insulation; storm windows and doors; multiglazed windows and doors, heat-absorbing or heat-reflective glazed windows and door materials; and, where cost effective as a means of reducing demand for energy supplied by the utility, devices to utilize solar, wind, or thermal energy, installed or furnished on the residential premises or a public utility's residential customers.

(h) "Residential customer" means a person who receives gas or electric service from a public utility for residential use by that person or others in a single-family dwelling, individual flat or apartment, or a multiple-family dwelling.

History: 1979 AC.

R 460.2402 Application for approval of energy conservation program.

Rule 2. A public utility may apply to the commission for authorization of an energy conservation program. In respect to each such application, there shall be an opportunity for a contested case hearing upon reasonable notice as provided in rate cases before the commission. In respect to each application filed after the effective date of these rules, there shall be a public hearing held in the service territory of the public utility for the purpose of obtaining public comment on the energy conservation program. Interested parties may participate in accordance with the

commission's rules entitled "Practice and Procedure Before the Commission," being R 460.11 et seq. of the Michigan Administrative Code, and Act No. 306 of the Public Acts of 1969, as amended, being S 24.201 et seq. of the Michigan Compiled Laws. The commission's staff shall participate in each such proceeding.

History: 1979 AC.

R 460.2403 Proposing inclusion of different residential conservation measures in program; order; jurisdiction.

Rule 3. Any interested person may propose or oppose the inclusion in an energy conservation program of residential conservation measures different from, or in addition to, those proposed by the public utility. Following the entry of an order authorizing an energy conservation program, the commission shall retain jurisdiction to consider the inclusion in such a program of residential conservation measures different from, or in addition to, those included in the program as approved. Any interested person may petition for the exercise of such jurisdiction or oppose inclusion of such measures in an energy conservation program.

History: 1979 AC.

R 460.2404 Determination of residential conservation measures to be included in energy conservation program.

Rule 4. The commission shall determine which residential conservation measures shall be included in an energy conservation program. The commission shall consider residential conservation measures proposed to be included in an energy conservation program on the basis of their potential for conserving gas or electricity; safety; cost effectiveness; reliability; and applicability to the residential premises of the public utility's residential customers. The proponent of the inclusion of any residential conservation measure in an energy conservation program shall have the burden of proving the extent to which the safety thereof has been or will be determined by public agencies with jurisdiction or responsibility in respect to safety or by private organizations with recognized competence in respect to safety. Where the cost benefit of residential conservation measures which qualify for interest-free financing pursuant to R 460.2409 of these rules varies significantly by type, brand, or make of residential conservation measure, more than 1 type, brand, or make of conservation measure may be included in an energy conservation program, but the variation in cost benefit among the types, brands, or makes of residential conservation measures shall be disclosed to the customer as part of the information requirements of R 460.2406 of these rules. A public utility or a subsidiary of a public utility shall not manufacture or obtain profit from the manufacture of a residential conservation measure used in an energy conservation program approved pursuant to these rules.

History: 1979 AC.

R 460.2405 Including costs in general utility rates.

Rule 5. Upon commission authorization, a public utility may include in its general rates for utility service the costs of money, bad debt expense, administrative costs and all or part of the cost of residential energy audits associated with an energy conservation program. Such costs shall be recovered by a charge included equally in the price of every metered unit of gas or electricity sold subject to commission jurisdiction, without regard to the amount of gas or electricity consumed by a customer. The inclusion of such costs in general utility rates shall not continue after the costs arising from an approved energy conservation program have been recovered. The commission shall authorize the charges to be included equally in the price of gas or electricity and periodic changes thereto in proceedings limited to determining the amount of the costs of the energy conservation program which were or are to be reasonably and prudently incurred by the public utility and which are to be recovered through such charges and the level of the charge necessary to recover such costs.

History: 1979 AC.

R 460.2406 Providing cost benefit information to customer.

Rule 6. Each residential customer to whom residential conservation measures are offered or furnished under an energy conservation program shall be provided with cost benefit information regarding such residential conservation measures as they apply to the customer's residence. The standards and methodology used to provide this cost benefit information or to provide cost benefit information under any program authorized by these rules shall be authorized by the commission. Due to the fact that no 2 dwellings have exactly the same potential for energy conservation even where dwellings have been constructed in a similar fashion, because physical location, habits of occupants, and structural integrity differ, it may be necessary to render an estimate of energy savings for a specific residence on the basis of energy conservation efficiency to be expected, on the average, from installation of specific energy conservation measures in residences with characteristics similar to the residence under consideration. If an estimate of energy conservation efficiency incorporates any averages, that fact shall be clearly disclosed to the residential customer. If such cost benefit information pertains to residential conservation measures to be installed by contractors, as referred to in R 460.2408, the residential conservation customer shall be informed as to whether costs are based on an actual contractor bid for the customer's premises or an estimate thereof.

History: 1979 AC.

R 460.2407 Installation of conservation devices and materials.

Rule 7. Conservation devices and materials installed under an energy conservation program, unless personally installed by the residential customer, shall be installed by a contractor holding both of the following:

(a) A valid residential builder's license or a residential maintenance and alteration contractor's license issued by the Michigan department of licensing and regulation under Act No. 383 of the Public Acts of 1965, as amended, being S383.1501 et seq. of the Michigan Compiled Laws.

(b) Other contractors' licenses required by applicable local or municipal codes or reciprocal licensing provisions.

History: 1979 AC.

R 460.2408 List of contractors; availability; grouping of customers' premises.

Rule 8. (1) As part of an energy conservation program, the public utility shall prepare, or cause to be prepared, for its service area a list or lists of contractors who do all of the following:

(a) Hold the required licenses.

(b) Maintain coverage as prescribed by law in respect to insurance.

(c) Enter into a contract in a form authorized by the commission which contains, among other things, a full warranty of work performed and materials furnished.

(2) A list of qualified contractors for the appropriate area shall be made available to each residential customer who decides to have devices or materials installed under the energy conservation program. A residential customer selecting contractors who are not on the list described in subrule (1) may obtain the benefits of residential conservation programs as described in R 460.2409 and R 460.2410, if such contractors demonstrate to the public utility compliance with subdivisions (a), (b), and (c) of subrule (1).

(3) If the residential customer makes no selection of a contractor, that customer's premises, with the consent of the customer, may be grouped with other customers' premises in the same area, and the installation of devices and materials for the group shall be performed by the lowest qualified bidder. Groupings of premises pursuant to this rule shall be in a number to achieve economies of scale without unduly impairing the ability of private contractors to bid for such work. Where possible, bids to determine the average cost of performing such work for a residence typical of residences within a specific geographical area shall be taken prior to offering residential conservation measures to residential customers so as to give such customers a basis for price comparison and cost effectiveness.

Applications for bids issued to contractors for work to be performed pursuant to this subrule shall include criteria for wage levels and other conditions which will ensure that the largest possible percentage of local contractors has an opportunity to bid competitively for work performed pursuant to this subrule.

History: 1979 AC.

R 460.2409 Payment for residential conservation measures that repay costs of installation; contracts.

Rule 9. (1) Residential conservation measures, as defined in R 460.2401(g) above, or as included in an authorized energy conservation program pursuant to R 460.2403 above, that will repay the costs of installation (costs of installation are those costs determined to prevail on or around the filing date of an energy conservation program) within 7 years or less from energy savings (calculated using energy costs in effect at the filing date of the energy conservation program), and which are installed as part of an authorized energy conservation program, shall be paid for under contracts that do not charge interest to residential customers contracting for such measures. Audits, inspections, and other verification of the applicability of only those residential conservation measures which repay the costs of installation within 7 years or less from energy savings to a customer's residence may be included in an energy conservation program and, if so included, shall be performed by the utility at no direct charge to the customer. Charges for all other audits, inspections, or verifications shall be as authorized by the commission.

(2) No penalty shall be imposed by the lender for payment of all or any portion of the outstanding balance due on any contract prior to the date such payment would otherwise be due.

History: 1979 AC.

R 460.2410 Financing of residential conservation measures.

Rule 10. (1) A utility may refer its customer to a financial institution in the business of lending for financing of the installation of residential conservation measures in lieu of providing funds directly to, or on behalf of, the customer.

(2) As part of an authorized energy conservation program, the utility may contract to collect payments for conservation measures at no fee to the financial institution, absorb bad debt expenses, and subsidize the loan in an amount up to the difference between the interest rate, as listed in R 460.2409, and the lower of the interest rate, including use of deferred taxes, that the utility would have to pay for capital at or around the time of the filing of the energy conservation program, or an interest rate which is negotiated between the utility and the financial institution. However, residential customers may not be charged any additional fee or interest charge by the financial institution under the loan contract provided for in this provision.

History: 1979 AC.

R 460.2411 Including costs of money and cost of bad debt expense in general utility rates.

Rule 11. Notwithstanding any other provision of these rules, costs of money and costs of bad debt expense related to an authorized energy conservation program may be included in general utility rates as provided in R 460.2405, if the commission finds that the energy conservation program is apt to result, in the foreseeable future, in lower rates for all utility ratepayers than could be achieved without the energy conservation program.

History: 1979 AC.

R 460.2412 Eligibility to receive loans; securing contract by security interest.

Rule 12. (1) All residential customers who are owners of the residence in which they live and who are current in their payment of utility bills of the utility company offering the loan are eligible to receive loans.

(2) All tenants who are residential customers and who are current in their payment of the utility bills of the utility company offering the loan, and who secure permission to install residential conservation measures from their landlords, as well as an agreement that the landlord will inform subsequent tenants of any such tenant's obligation to make payments on an energy conservation program contract, are eligible to receive loans.

(3) Contracts pursuant to an energy conservation program may be secured by a statement of lien or other security interest.

History: 1979 AC.

R 460.2413 Informing solicited customers of availability of conservation measures pursuant to state and federal programs.

Rule 13. All utilities implementing energy conservation programs shall inform those of their customers who are solicited to participate in a utility conservation program of conservation measures that are available pursuant to state or federal programs which are applicable to a significant proportion of the customers of the public utility. This information shall be provided to utility customers before such customers agree to participate in a conservation program authorized by the act.

History: 1979 AC.

R 460.2414 Construction of rules.

Rule 14. Nothing contained in these rules shall be construed to prohibit or modify gas or electric utility conservation programs in effect before June 5, 1978, without prior notice and hearing before the commission.

History: 1979 AC.