



Michigan Saves: *Overview and Update*

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www.michigansaves.org

Goals for the Presentation

- Explain the Michigan Saves program
- Provide status of the program's creation and rollout
- Offer examples of how local governments can participate

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What Is Michigan Saves?

- Innovative financing system
- Energy-efficiency retrofits and small-scale renewable energy systems
- Available to all Michigan energy consumers — businesses, public institutions, and residents

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Purpose of Michigan Saves

- Objectives
 - Encourage investment in energy efficiency and renewable technologies and services
 - Help consumers lower monthly bills
- Outcomes
 - Increased installation of energy efficiency and distributed renewable energy systems in Michigan
 - Job creation and stimulation of the Michigan economy
 - Consumers save money

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Who Will Manage Michigan Saves?

- Public Sector Consultants and the Delta Institute administer Michigan Saves
- Funded by a two-part grant from Michigan Public Service Commission
 - Program administration fund
 - Trust fund (\$6.5 million)
- 28-month grant period (June 2009—September 2011)

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Program Offerings

- Three program offerings:
 - **Residential** energy efficiency installations
 - **Nonresidential** energy efficiency installations
 - Includes local government facilities
 - **Custom** energy efficiency or renewable energy installations

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Typical energy efficiency investments

Market	Measures	Typical Per-Installation Cost
Residential	HVAC systems, insulation, duct sealing, appliances, water heaters, windows, doors	\$7,500
Commercial	Lighting, HVAC, motors	\$10,000 and up
Industrial	Motors, customized Improvements	\$100,000 and up

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Key Parameters

- Marketed primarily by contractors and other energy professionals trained and qualified by Michigan Saves
- Customers have two options:
 - **À la carte eligible measures:** Customer selects measures from list of qualifying measures
 - **Audit-based full response:** Customer selects measures based on an energy audit

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Financing

- Measures financed with loans
- Loan capital provided by public and private lenders and investors
- Loan size will vary; typical amounts:
 - \$15,000 and less for residential
 - \$25,000–\$50,000 for nonresidential (including local governments)
- Terms and rates are yet to be determined

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Financing (cont.)

- Hybrid model for loan servicing
 - Lender-serviced loans
 - Utility-serviced (“on-bill”) loans
- Michigan Saves has a \$6.5 million trust fund for credit enhancements (e.g., loan loss reserve) to attract lender/investor capital

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The Role of Michigan Saves

- Nonprofit statewide organization
- Support financing through
 - Contractor outreach/certification
 - Credit enhancements/customer incentives
 - Financial product standardization
 - Fund management
 - Cultivating secondary market and investor interest
 - Coordinating evaluation and measurement/verification of energy savings
 - Coordination with other programs

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Michigan Saves Financing Models Under Consideration

- **Decentralized model**
 - Loan origination performed by borrower or contractor-chosen lender—many participating lenders across the state
 - Loan servicing performed by lender or borrower's utility
 - Strive for minimum standards for loan products
- **Centralized model**
 - Loan origination performed by one lender (capital from lender or secondary market)
 - Loan servicing performed by one lender or borrower's utility
 - One set of loan products offered
- **Hybrid model**
 - Loan capital from many participating lenders
 - Loan origination and/or servicing performed by one third-party service provider
 - Strive for minimum standards for loan products

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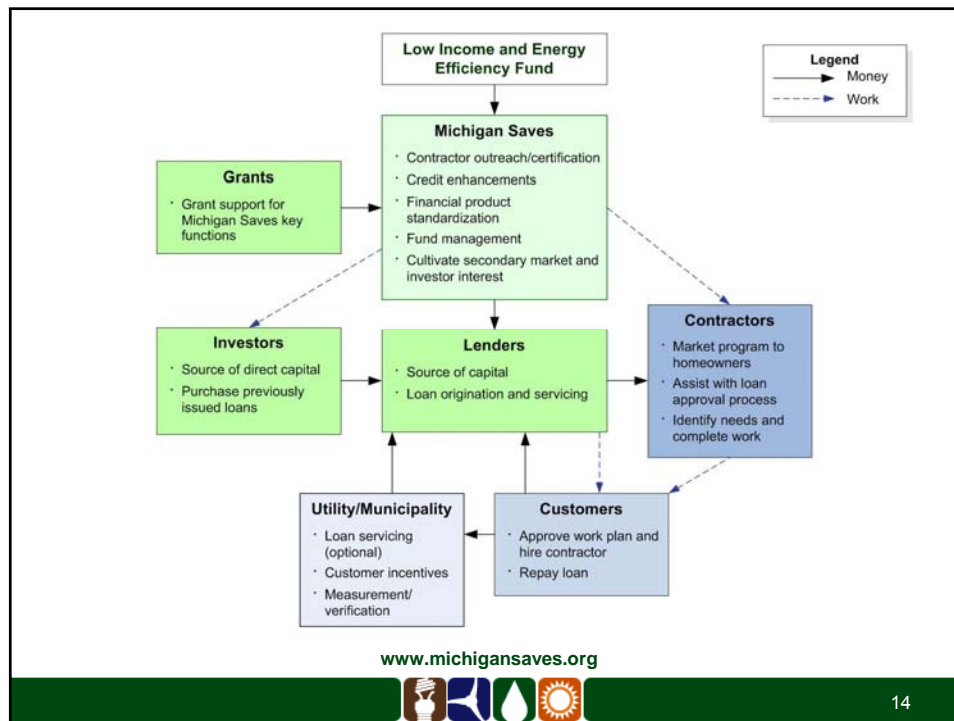
Other Key Participants

- **Lenders:** Provide capital, originate and service loans
- **Investors:** Provide capital, purchase previously issued loans
- **Utilities:** Service loans, provide customer incentives, measure and verify energy savings
- **Contractors:** Market program, assist with loan process, identify needs, perform work
- **Customers:** Hire contractor, select measures, repay loan

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Role of Local Governments

- Several options:
 - Customer: retrofit local government facilities or install renewables
 - Informal partner: outreach to communities
 - Formal partner:
 - Run complementary program with EECBG or other funds, such as bonds
 - Michigan Saves assists with fund management or programmatic aspects of local programs (e.g., contractor recruitment and qualification)

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Pilots

- Cherryland Electric Cooperative
 - On-bill program for residential customers
- Consumers Energy
 - On-bill program for LED street lighting installations
 - Limited to governmental entities that already own metered street lights
- Other pilots involving residential and small commercial customers under consideration

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Program Timeline

- First quarter 2010
 - Launch pilot projects
 - Establish financing model
- Second quarter 2010
 - Plan and launch additional pilots based on opportunities and information needs
 - Engage contractor network for residential program
- Mid 2010
 - Full implementation begins, and continues through mid 2011

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For more information

- www.MichiganSaves.org
 - Background information
 - Meeting materials
 - Sign up for e-mail distribution list for program updates and announcements

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