



# **2024 Utility Energy Waste Reduction Programs**

## **Annual Report on the Implementation of PA 295**

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## Executive Summary

Michigan's Energy Waste Reduction (EWR) standard, created under Public Act 295 of 2008, as amended by Public Act 342 of 2016 (Act 295 or the Act), also known as *The Clean and Renewable Energy and Energy Waste Reduction Act*, requires all natural gas and electric utility providers in the state to implement programs for their customers to reduce overall energy usage by specified targets, in order to reduce the future cost of service to utility customers. As of December 31, 2021, and until January 1, 2026, only regulated natural gas and electric utility providers are legislatively required to implement EWR programs for their customers. This report complies with Section 97 of the Act.

In 2025, all regulated utilities have submitted EWR annual reconciliation case filings for the program year 2024. Almost all Michigan utility providers have consistently reached their annual required EWR targets since 2009 and, in most cases, continue to exceed the statutory requirement. Providers met a combined average of 169% of their electric energy savings targets and 121% of their natural gas energy savings targets. EWR programs across the state accounted for electric savings totaling over 1.73 million MWh (megawatt hours) and natural gas savings totaling over 6.44 million Mcf (thousand cubic feet) for program year 2024.

PA 295 requires that all programs be cost-effective by meeting the Utility System Resource Cost Test (USRCT). All programs offered during 2024 were cost-effective and had a USRCT score of 1.00 or greater. The electric utility providers averaged a UCT score of 2.6 while the natural gas providers averaged a UCT of 2.1 for 2024.

As a result, EWR programs in 2024 generated lifetime savings of \$1.4 billion for customers, with every \$1 spent by utilities on EWR programs generating \$2.40 in customer savings. Moreover, EWR programs are assisting Michigan utilities in cost-effectively managing the ongoing energy transition, helping to continue to meet customer energy demands even as older and more expensive power plants retire, all at significantly less cost to customers than investments in new electric generating capacity.

## Introduction

Section 97(4) of the Act requires that the Michigan Public Service Commission (MPSC or Commission) submit to the standing committees of the Senate and House of Representatives with primary responsibility for energy issues an annual report that evaluates and determines whether Subpart C of the Act has been cost-effective. The report may include any recommendations of the MPSC for energy waste reduction legislation.

In 2024, there were six natural gas investor-owned utilities (IOU) and seven electric investor-owned utility providers. Four electric utilities and three natural gas utilities in Michigan formally coordinate the design and implementation of their EWR programs through a collaborative process with Efficiency United to reduce costs, create consistency, and improve understanding of program offerings. Four electric companies and three natural gas companies independently administered their own programs. To the extent feasible, the utility providers that independently administered their programs tried to align with the program design offered by the collaborated utility providers' programs to improve customer and contractor participation and satisfaction.

## Program Offerings

All electric and natural gas utility customers in Michigan, served by regulated utility providers, are able to participate in energy efficiency programs. New programs and emerging technologies are continuously being introduced as pilot programs, which enable utilities to phase in the implementation of new technologies, expand existing programs, and offer new features. In general, individual programs are divided into two broad categories: residential and commercial/industrial. Residential programs consist of six major categories: specialty lighting and controls; heating, ventilating, and air conditioning (HVAC); income-qualified weatherization; energy education; appliance recycling; and pilot programs. Commercial/Industrial offerings include prescriptive and custom programs. Prescriptive programs provide rebates for specific equipment replacement such as lighting, boilers, pumps, and compressors. Custom programs generally provide a rebate per kWh of electricity savings or per Mcf of natural gas savings for a comprehensive system or industrial process improvement.

## Energy Savings Targets

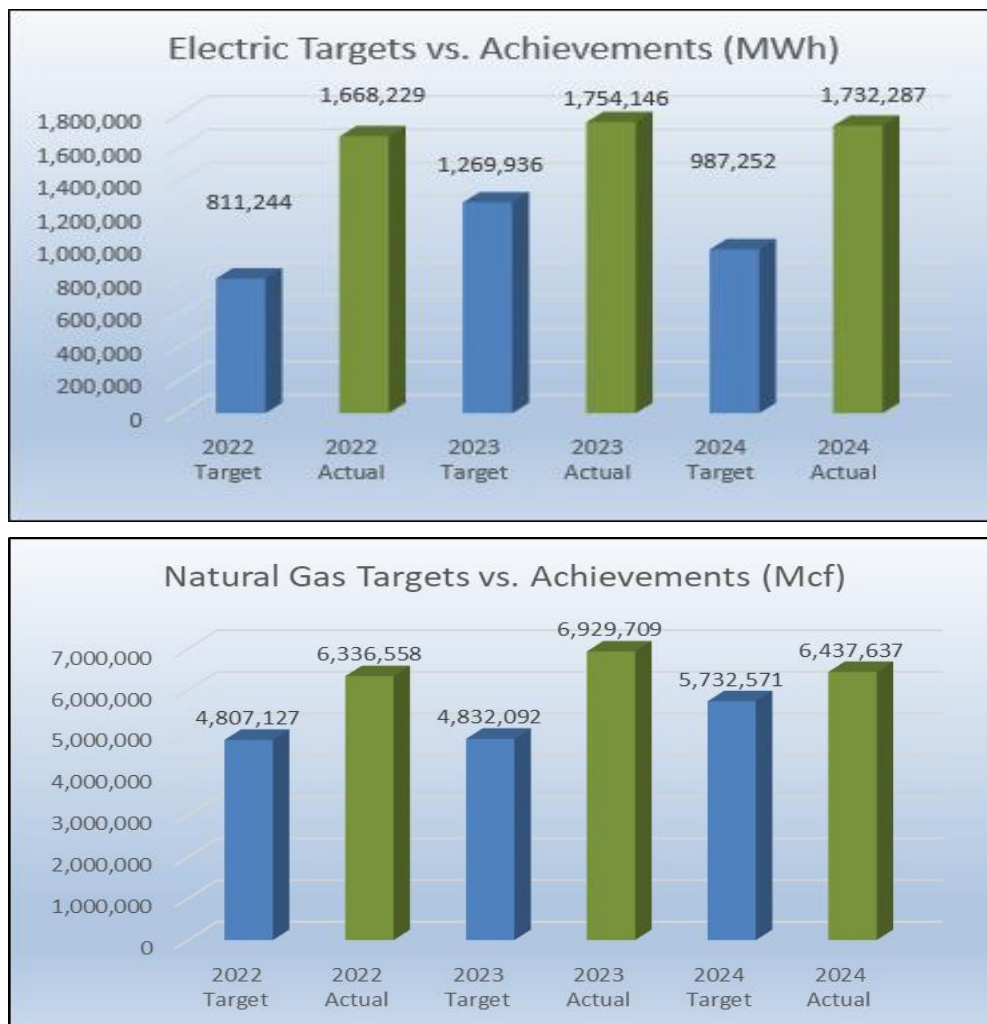
Section 77 of PA 342 provides annual energy savings targets for electric and natural gas utilities. The minimum savings targets are based upon a percentage of previous calendar-year retail sales for each utility. Utility providers successfully complied with the energy savings targets laid out in the Act. EWR programs across the state accounted for annual electric savings totaling 1.73 million MWh and natural gas savings totaling 6.44 million Mcf for 2024. In 2024, electric EWR programs and measures had an average measure life of 9.82 years for electric programs and 9.39 years for natural gas programs, equating to a realized lifetime savings of 17.2 million

MWh for electric programs. In 2024, natural gas EWR programs realized lifetime savings of 60.5 million Mcf. **Figure 1** below depicts the electric and gas savings target versus the achievements for the past three years. 2024 savings equate to electric utility providers achieving 169% of their legislative target and natural gas utility providers achieving 121% of their legislative target.

These energy savings targets continue for investor-owned utilities whose rates are regulated by the Commission and are complemented by the requirement under Act 341 of 2016 that EWR be included in utility integrated resource planning and the incentives included in PA 342 of 2016 for EWR performance above the statutory minimum. Although the cooperatives and the municipal utilities were not required to report energy savings for 2024, the Commission did receive some reporting, and those numbers are included in **Figure 1** below.

**Figure 1**

**Electric and Gas Targets vs. Actual Savings Achieved**



# EWR Surcharges and Program Funding

The Act requires utilities to specify necessary funding levels for the activities being proposed. Commission-regulated utility providers can recover their EWR program expenditures through a customer surcharge approved by the Commission. Residential customers are charged based on their energy usage. The average electrical residential customer pays around \$2 per month for the electric EWR surcharge and around \$2.55 per month for the natural gas EWR surcharge. Generally, a commercial and industrial electric or natural gas customer’s EWR surcharge is based on a per meter charge. **Figure 2** depicts the actual expenditures for the past three years by utility provider type.

**Figure 2**

**Energy Waste Reduction Program Funding**

Annual Expenditures	2022	2023	2024
Electric IOU's	\$371,469,799	\$379,949,262	\$409,768,965
Electric Cooperatives	N/A	N/A	N/A
Electric Municipalities <sup>1</sup>	\$7,754,775	\$6,185,687	\$8,991,183
<b>Total Statewide Electric</b>	<b>\$379,224,574</b>	<b>\$386,134,949</b>	<b>\$418,760,148</b>
<b>Total Statewide Gas</b>	<b>\$145,897,419</b>	<b>\$165,427,343</b>	<b>\$164,408,824</b>
<b>Total Gas and Electric</b>	<b>\$517,367,218</b>	<b>\$551,562,292</b>	<b>\$583,168,972</b>

## Program Benefits

In 2024, aggregate EWR program expenditures of over \$583 million by all the natural gas and electric utilities in the state were estimated to result in lifecycle savings to customers of \$1.4 billion. For every dollar spent on EWR programs in 2024, customers should realize benefits of \$2.40. Data provided to the Commission in EWR provider annual reports indicated that EWR resources were obtained at a cost of \$22.17/MWh, which is less expensive than supply side options such as new natural gas combined cycle generation costing around \$37/MWh.<sup>2</sup>

The benefits of the EWR program will flow to customers over the lifespan of the efficiency measures implemented during the year. The direct benefits are reduced utility cost of service, which would otherwise be recovered in utility rates. These savings are the avoided costs to utilities and are calculated based on the energy savings identified for individual energy efficiency measures as reflected in the Michigan Energy Measures Database. The cumulative reduction in customer demand for electricity is expected to result in reduced cost of service along with reducing the need to build new electric generation plants.

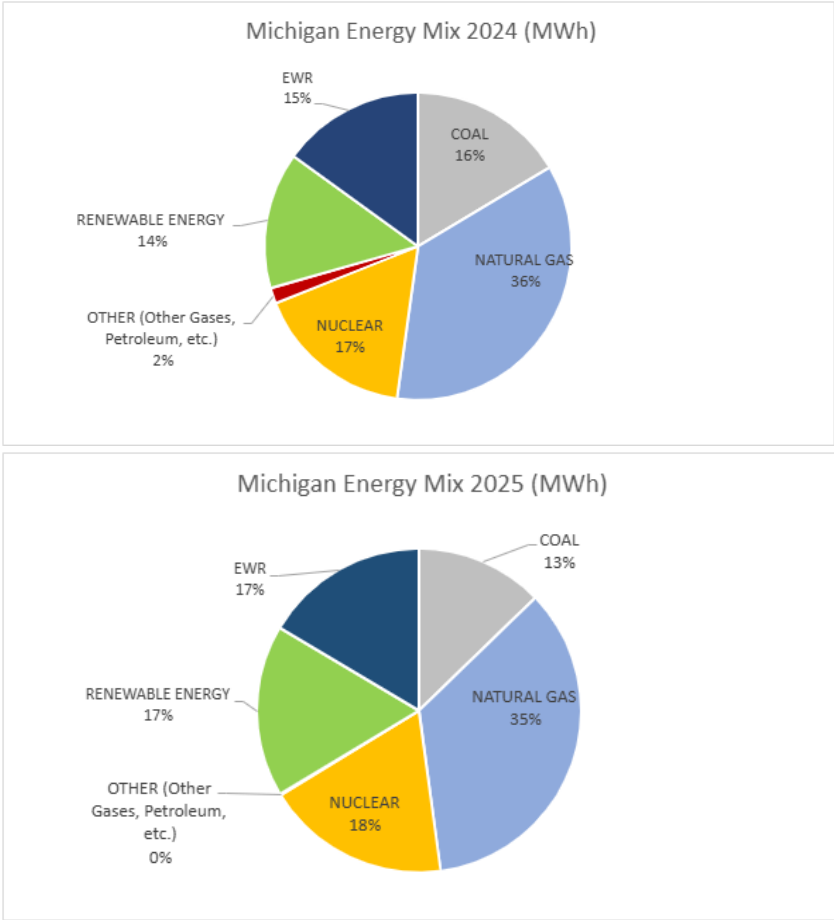
<sup>1</sup> Information was provided to the MPSC on a voluntary basis by some municipalities that is included in this report. This information was provided by some utilities that have continued to provide energy waste reduction services and/or chose to provide this information.

<sup>2</sup>Source: [U.S. Energy Information Administration Annual Energy Outlook 2022](#).

In addition, EWR helps to fill the gap in meeting customer needs even as older and more expensive power plants are retired, limiting the need to build additional new power generation resources. The charts in **Figure 3** show how EWR contributed to Michigan’s overall electricity mix even as the energy transition continues.

**Figure 3**

**Michigan’s Electric Resource Mix - 2024 vs. Projected 2025**



*Includes the full generating output of the Cook nuclear units. \*Demand Response is not included in the EWR percentage.*

There are other benefits of EWR programs besides delaying or eliminating the need for building new generation. They also reduce emissions of environmental pollutants from existing generation. Both the electric and natural gas EWR programs also result in hundreds of millions of dollars in fuel cost savings that would have otherwise been spent to import energy into Michigan. EWR programs also increase demand for energy efficiency equipment and installations from local businesses. In addition, the benefits flowing to Michigan utility customers via the EWR programs should help reduce utility uncollectible expenses and lower operating costs for Michigan businesses and institutions. Other non-energy benefits for Michigan

residents are improvements in health and safety and increased comfort in their homes and businesses.

## **Cost-Effectiveness**

There are many ways to calculate the cost-effectiveness of utility energy efficiency programs. Simply stated, the overall benefits should outweigh the overall costs. The Act requires providers to meet the Utility System Resource Cost Test (USRCT or UCT). Utilities assess the cost-effectiveness of their programs during the plan development stages. The UCT score compares the program administrator costs to supply-side resource costs. It ensures the benefits outweigh the energy- and capacity-related avoided costs, the program overhead costs, and the incentives paid to the customer by the utility. A score of 1.0 or greater in this test (benefits are equal to or greater than the costs) indicates a cost-effective program.

Section 97 of the Act requires the Commission to evaluate and determine whether the energy waste reduction programs were cost-effective on an overall portfolio level. The electric utility providers programs collectively had an average UCT score of 2.6, while the gas utility providers programs averaged a score of 2.1 for program year 2024.

## **State Administrator: Efficiency United**

The Act created an option for electric and natural gas providers to offer energy waste reduction services collectively through a program administrator. Section 91(6) requires the administrator to be a “qualified nonprofit organization” selected by the MPSC through a competitive bid process. To fund the program, the administrator is paid directly by the participating providers using funds collected from customers.

Michigan Community Action (MCA) is under contract as the State Administrator and its team of contractors operate under the brand name of Efficiency United (EU). This contract runs through December 31, 2025. Services and offerings are similar to, and coordinated with, those of other providers around the state. The EU program has successfully been able to provide programs and achieve savings targets equivalent to those implemented by independent utility providers.

## **Programs for Low-Income Customers**

The Act speaks to the importance of EWR program offerings for low-income residential customers. All customer classes must contribute proportionally to low-income program costs based on their allocation of the utility’s total EWR budget. Low-income EWR programs are excluded from the requirement to meet the UCT or cost-benefit test. In 2024, Over \$142.5 million was spent on programs for income qualified customers. In 2024, utilities spent over 20% of their total program budget on low-income programs. For comparison, this number was less than 10% in 2016. The MPSC’s Energy Waste Reduction Low-Income Work Group has played a critical role in with reaching this milestone. Michigan customers at or below 200% of the federal poverty level qualify for these programs. Flexibility in implementation of

low-income programs has also allowed utilities to assist Michigan's middle- to low-income customers who generally cannot afford to participate in these programs and has also allowed utilities to implement programs for customers in apartments and other multifamily housing, a segment that has been traditionally harder-to-reach for EWR programs. Implementation of these programs generate different challenges. The uniqueness of single-family homes and multifamily housing, along with the funding necessary to achieve savings for these customers, requires the utilities to continually assess and redesign the program offerings, including working collaboratively with diverse low-income representation.

## **Energy Waste Reduction Low-Income Work Group**

The EWR Low-Income Work Group began in April 2018. It is a participant-driven collaborative with the aim of combining energy efficiency with weatherization, housing, health, and environmental and economic expertise to have more meaningful and longer-lasting impact on the state's most vulnerable citizens than would be possible when working independently.

Participants and involvement in the Low-Income Work Group continued to grow throughout 2024. There are currently over 140 distinct organizations that are represented in the work group and around 440 participants. All of Michigan's regulated utilities participate, as do numerous municipal and cooperative utilities. Also active in the work group are many of Michigan's state agencies, including several separate divisions of the Michigan Department of Health and Human Services, the Michigan State Housing Development Authority (MSHDA), and the Michigan Department of Environment, Great Lakes, and Energy (EGLE). The EWR Low-Income Work Group continues to be a participant-led initiative.

The participants in the EWR Low-Income Work Group continue to identify areas from which they establish subcommittees focused on specific deliverable topics. In 2021, the Health and Safety subcommittee, which addresses health and safety issues inherent in low-income housing stock, continued to work on outreach and engagement and how to best address those needs. Currently, all utilities are implementing some form of a health and safety pilot, which has enabled participation in the EWR program for low-income housing that was previously deemed ineligible due to factors prohibiting energy-efficiency services, such as asbestos remediation, mold remediation, roof repair, etc.

Environmental justice and community engagement continues to be an active piece of the EWR Low-Income Work Group along with discussions around the [MI Healthy Climate Plan](#) which was released in April 2022.

The Workforce Development subcommittee was formed in January 2022 and discussions on developing action items to overcome the workforce shortages in energy efficiency and weatherization contractors began immediately. Like the other subcommittees, Workforce Development is participant-led and has the active participation of state agencies and groups representing a diverse range of participants. In early 2024, the Workforce Development Subcommittee established a

needs assessment working group to design and implement a survey focused on workforce needs in the residential energy efficiency and electrification sector. The survey gathered quantifiable data on skill gaps, role-specific demands, and geographic workforce challenges. It was distributed to contractors, trades professionals, and community organizations engaged in the sector. Findings revealed that contractors face persistent challenges in recruiting qualified talent, offering competitive wages, and providing upskilling opportunities, largely due to limited industry awareness and lack of access to essential resources among job seekers, as well as the narrow financial profit margins experienced by contractors and trades professionals. These constraints contribute to low retention and high turnover. Survey findings were shared with the Low-Income Work Group and the Workforce Development Subcommittee and will guide the needs assessment working group in developing targeted, actionable goals.

The EWR Low-Income Work Group continues to provide useful discussion and development for future EWR low-income programs and initiatives which are considered for utility company program design in the EWR biennial plan filings. The EWR Low-Income Work Group, along with its subcommittees, will continue to offer a venue for program participants, advocates, utility providers, state agencies, and Commission Staff to bring forth innovative ideas and program design to best serve the low-income customers of Michigan. The interaction and idea sharing of the work group with the customers, advocates, and utility programming also contributes to the understanding of the interaction and linkages between energy waste reduction, weatherization, and energy assistance for vulnerable households.

## Self-Directed EWR Program

Under Section 93 of the Act, large electric customers that meet certain eligibility requirements may create and implement their own customized EWR plan consistent with the provisions of the Act and thus be exempt from paying an EWR surcharge except for a portion to support the costs of income qualified programs. Electric customer eligibility to participate in the self-directed EWR plans is determined by the customer's annual peak demand. The Act allows customers with at least 1 MW aggregated annual peak demand in the preceding year within a service provider's territory to participate. There are 11 customers enrolled to self-direct their own EWR program as of 2024 (as shown in **Figure 4**). Energy savings for these self-directed large commercial and industrial customers are reported to their utility provider, and the utility provider includes these savings in their annual savings achievements.

**Figure 4**

**Number of Self-Directed Large Commercial and Industrial Customers**

Provider	Peak Year 2010	2022	2023	2024
DTE Electric	26	3	3	3
Consumers Energy	30	3	3	3
Upper Peninsula Power Company (UPPCO)	0	1	2	3
Efficiency United	11	4	4	2
<b>TOTAL</b>	<b>67</b>	<b>11</b>	<b>12</b>	<b>11</b>

## MPSC Energy Optimization Collaborative

In Case Nos. U-15805 and U-15806, the Commission directed the MPSC Staff to establish a statewide energy waste reduction collaborative which requires the participation of all electric and natural gas providers and allows the opportunity for a variety of additional groups and individuals to participate. A key goal of the collaborative is to reduce the extent and cost of the formal contested hearing process through consensus and industry peer review of standards and procedures. The collaborative identifies recommendations for improving EWR plans for all providers, offers program evaluation and support, and develops any necessary redesign improvements to energy efficiency programs. Although municipalities and cooperative electric providers were released from legislatively required EWR programs, the EWR Collaborative remains a publicly open and inclusive work group. Select members of this group meet to serve as the Michigan Energy Measures Database Technical Subcommittee.

## Michigan Energy Measures Database

Measurement and verification are essential tools in improving Energy Waste Reduction programming. In 2009, Michigan began with a foundation database of projected energy savings that was derived from other states' experiences. By incorporating data derived from Michigan weather stations, program implementation, and specialized evaluation studies, the database evolved into the Michigan Energy Measures Database (MEMD).

The objective of the MEMD is to provide users with accurate information on energy savings associated with technologies or measures that could be used in energy efficiency programs. The MEMD is also used to prioritize the allocation of funding toward these possible measures. For this critical function, it is important to utilize Michigan-specific data in the MEMD. Thus, under the direction of Commission Staff, a range of organizations and individuals are participating in monthly collaborative meetings developing recommendations to update this database. The collaborative has developed an annual process for selecting the highest priority measures to update with Michigan specific data. For the selected measures, field studies are

undertaken in customer homes and businesses using data collection equipment, such as light loggers and sub-metering, and engineering analysis to obtain reliable measurement of the actual energy consumption.

The MEMD is a public document that can be utilized by municipalities and cooperatives to develop EWR programs and measures they may still be implementing. As a public document updated and released annually, it is available for use and review by other states, implementation contractors, and other state agencies. The MEMD is unlike other technical resource manuals (TRM) in that it is updated annually and prioritizes Michigan-specific data.

## **EWR Credit Tracking System**

Section 87 of the Act states, “[T]he commission shall establish an energy waste reduction credit certification and tracking program. The certification and tracking program may be contracted to and performed by a third party through a system of competitive bidding.” MCL 460.1087. Because there was already an established program for tracking renewable energy credits through the Michigan Renewable Energy Credit System or MIRECS, a credit tracking program established and contracted with APX, implementing a tracking program for EWR credits was efficiently and effectively implemented through APX. All regulated electric and natural gas utility providers have been able to input their credits earned and utilized to meet compliance into the system since 2017. This system now provides for a more formal process to track EWR credits earned, utilized, transferred to renewable energy credits, and, if a balance exists, carried-forward to be used if needed to meet a maximum one-third of the subsequent year’s compliance as allowed by the Act.

## **Revenue Decoupling**

PA 295 authorizes the Commission to establish a revenue decoupling mechanism (RDM) upon request by those natural gas utilities that have implemented an Energy Waste Reduction program. The Commission may authorize an alternative mechanism that it deems to be in the public interest. Through the contested case process, a utility company can request an RDM to help recover lost sales from required programs or services that reduce that company’s overall revenue. There is currently one gas utility with an RDM.

In 2016, PA 341 gave authorization to the Commission to approve an appropriate RDM for an electric utility with fewer than 200,000 customers in this state that adjusts for decreases in actual sales compared to the projected levels used in that utility’s most recent rate case. Those incremental decreases in actual sales must stem from implemented energy waste reduction programs and measures. There is one electric utility with an RDM at this time.

## **Financial Incentive Mechanism**

Section 75 of PA 342 allows Commission-regulated utilities to request a financial incentive payment for exceeding the energy-savings targets each plan year. There

are currently five utilities that have requested and received approval for a financial incentive mechanism. The Act allows for an incentive of up to 25% of program spending for exceeding the statutory requirements. Each utility must first exceed the required first-year savings level plus meet a set of utility specific program metrics to receive their incentive payment. An example of a program metric is meeting a required level of lifetime savings, which requires the utilities to focus on measures that have longer lives for their customers, such as high-efficiency appliances, air sealing, and insulation. Other metrics involve greater low-income savings targets or spend, and multifamily home initiatives. The development of the incentive metrics takes place in the Company's biennial plan filing and serves to improve the measures and program offerings for the customers. Financial incentive awards are included in the overall program costs for purposes of calculating the UCT. The incentive encourages Michigan's utilities strive to achieve the maximum payment allowed under the Act, and their customers reap the benefits via more robust program offerings and increased spending on low-income programming. The performance incentive has proven to be a driver in the success of Michigan's EWR programs since 2009 and encourages utility management support for these programs.

## **On Bill Financing (OBF)**

In 2016, PA 295 was amended to allow utilities with rates regulated by the Commission to establish residential "on-bill financing" programs. These programs allow customers to pay back the cost of energy efficiency improvements over time on their utility bill. In December 2018, the Commission finalized the formal rulemaking process to amend the Commission's Consumer Standards and Billing Practices for Electric and Natural Gas Service to include on-bill financing provisions (MPSC Case No. U-20152). To date, no investor-owned utility offers an on-bill financing program. Expenses for billing upgrades and accounting for uncollected loans have driven regulated utility providers to instead partner with Michigan Saves, the nation's first nonprofit green bank established initially through a grant received by the MPSC. Michigan Saves can offer many of the benefits of on-bill financing at low interest rates for Michigan utility provider's customers. In addition, PA 408 of 2014 authorized municipalities served by a municipal electric utility to offer on-bill financing programs. A few Michigan municipal electric utilities, including the Holland Board of Public Works and Traverse City Light & Power, have partnered with Michigan Saves in establishing these programs.

## **Conclusion**

Energy waste reduction programs have seen many successes due to continued efforts by utilities and their EWR contractors and implementation allies. The 2024 program year was no exception, with utilities overall meeting or exceeding energy savings targets. Michigan ranks first in gas efficiency as a percentage of sales and third for electric efficiency as a percentage of sales. With DTE and Consumers among the top performers across the nation, and a significant majority of other

providers exceeding the statutory targets, it is apparent that Michigan's utilities are excelling in the energy waste reduction program implementation as intended by the legislation. These programs are reducing energy consumption and subsequently lowering energy costs to Michigan residents and businesses.

The work of the EWR work groups and collaboratives and the ongoing pilots and evaluation activities provide strong support for the evolution of the EWR programs and the ability to continue to achieve the statutory requirements in a cost-effective manner. The EWR programs continue to attract a wide range of customers from low-income residential to large-scale commercial and industrial businesses. Increasingly, large customers are relying on the utility programs instead of operating their own self-direct program.

There are broad benefits of the EWR programs. The cost of reducing energy waste is much lower than procuring other energy resources. Utilizing electricity savings from utility annual reports and the average measure life of most energy efficiency applications, Energy Waste Reduction could be credited for decreasing the need for generation of over 2,000 MW annually. Simply put, Michigan's EWR programs have eliminated the need to construct multiple electric generating facilities. Customers who participate in the program directly benefit by seeing reduced energy use and lower bills. Other benefits, such as reduced emissions and fuel-cost savings, provide value to all Michigan customers. The EWR programs have led to significant job creation in Michigan by companies that implement the programs for utilities and energy efficiency contractors that install improvements for customers. The EWR programs have also prompted the increased availability of higher efficiency equipment for homes and businesses. EWR can also increase the comfort, health, and safety of homes and businesses and helps energy providers reliably meet the energy needs of their customers.

The Commission continues to explore ways to improve the savings and increased benefits of the programs for large and small utilities, while adapting the scope of the programs to meet the needs of all customers. Public Act 229 was approved in November 2023, as an amendment to PA 295. The new Act was put into effect in February 2024 and has changes related to energy optimization programs, which include energy efficiency plans and efficient electrification plans. The new legislation required the Commission to conduct a potential study on energy efficiency, demand response, and efficient electrification. The potential study results will be available in the fall of 2025. With the new legislation and current work of the potential study, the Commission's only recommendation to the legislature is to continue the energy efficiency programs.