

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of )  
**THE DETROIT EDISON COMPANY** to increase )  
rates, amend its rate schedules governing the )  
distribution and supply of electric energy, )  
implement power supply cost recovery plans, )  
factors, and reconciliations in its rate schedules )  
for jurisdictional sales of electricity and for )  
miscellaneous accounting authority and regulatory )  
asset recovery. )  
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Case No. U-13808

At the September 26, 2006 meeting of the Michigan Public Service Commission in Lansing,  
Michigan.

PRESENT: Hon. J. Peter Lark, Chairman  
Hon. Laura Chappelle, Commissioner  
Hon. Monica Martinez, Commissioner

**ORDER**

The Commission orders The Detroit Edison Company (Detroit Edison) and Michigan Consolidated Gas Company (Mich Con) to file, not later than January 31, 2007, a final PAYS® pilot program proposal in a new docket, providing a complete and detailed explanation of all of the pilot program elements.

**I. History**

On November 23, 2004, the Commission issued an order in Case No. U-13808 granting rate relief to Detroit Edison. In addition, the Commission ordered Detroit Edison to meet with interested parties (collaborative group) to discuss the implementation of a program promoting

energy efficiency and conservation similar to the Pay As You Save™ or PAYS® program.<sup>1</sup> With regard to any developments made by the collaborative group, the Commission further directed Detroit Edison to file a report with the Commission no later than March 15, 2005.<sup>2</sup>

The PAYS® program offers a financing mechanism designed to facilitate the purchase and installation of money saving, energy efficiency products and services by utility customers.<sup>3</sup> Under a typical PAYS® tariff, customers are able to purchase qualifying energy efficiency products and services with no up-front charge.<sup>4</sup> Energy efficiency payments are subsequently included as a line item in the participating customer's monthly utility bill and are scheduled so that the customer's monthly utility bills are immediately reduced when PAYS® measures are installed.<sup>5</sup>

Detroit Edison filed its first report to the Commission on the status of the PAYS® collaborative on March 15, 2005. In this report, Detroit Edison states that it obtained a list of interested parties and held two collaborative meetings.<sup>6</sup> According to Detroit Edison, both meetings were very productive and further discussion was necessary to reach a consensus view on the future of the PAYS® program.<sup>7</sup>

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<sup>1</sup> p. 128.

<sup>2</sup> *Id.*

<sup>3</sup> Detroit Edison's report to the Commission on the status of the "Pay As You Save"™ (PAYS®) collaborative, filed March 15, 2005, p. 1.

<sup>4</sup> *Id.*, p. 2.

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*, p. 3.

On May 20, 2005, Detroit Edison filed a second report to the Commission on the status of the PAYS® collaborative. In this second report, Detroit Edison asserts that the collaborative group has reached the following consensus:

- a. Any tariff for a PAYS® program must tie the customer's payment obligation for the energy saving measures to the meter location where the energy saving measures are installed and not to an individual customer;
- b. Billing and payment for the energy savings measures under the program should be presented to the customer via a charge on the utility distribution bill with the ability of a utility to employ disconnection procedures for non-payment;
- c. Independent certification of each customer's PAYS® project should be conducted. This certification should verify that energy saving products and their installation were appropriate for the program, that estimated savings will exceed customer payments for the energy saving products, that the project will provide customers with the opportunity to receive immediate net savings, and that the payment term will not exceed three-quarters of the estimated measured life of the energy saving equipment;
- d. The target population for the pilot should be Mich Con's and Detroit Edison's bundled commercial accounts with an emphasis on schools, governments, municipalities, hospitals, and small commercial and manufacturing;
- e. The pilot should be for 2 years;<sup>8</sup>
- f. In order for a project to qualify for the program, the majority of the energy savings must be of the type of energy provided by the sponsoring utility (i.e. primarily electric savings for Detroit Edison, and primarily gas savings for Mich Con); and
- g. An advisory group should be formed to oversee final development of the PAYS® Pilot Program, and participation in that Group should be voluntary and without compensation.<sup>9</sup>

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<sup>8</sup>The 2-year duration applies to the time available for customers to complete contracts with vendors to obtain qualifying PAYS® measures. Customer payments under a PAYS® tariff will continue, until all customer obligations have been met, even after the pilot program has ended. *See*, Detroit Edison's third report to the Commission on the status of the PAYS® collaborative, filed December 5, 2005, Attachment B – PAYS Collaborative Consensus Agreement, p. 7, Item 2.12.1.

<sup>9</sup> Detroit Edison's second report to the Commission on the status of the PAYS® collaborative, filed May 20, 2005, p. 3.

Detroit Edison also states that a consensus on the design of the project is close with the only remaining issues being PAYS® related bad debt, vendor financing and capital creation, and the funding and payment of administrative and on-going costs.<sup>10</sup>

On December 5, 2005, Detroit Edison filed its third report to the Commission on the status of the PAYS® collaborative. In the third report, Detroit Edison states that the collaborative group has reached a consensus agreement that incorporates the prior consensus items (a) through (g) from the second report.<sup>11</sup> The consensus agreement has been included with the third report as Attachment B and is attached hereto as Exhibit 1.

According to Detroit Edison, the program envisioned by the collaborative is designed to be self funded and would not have costs allocated to non-participating customers.<sup>12</sup> The collaborative group requests Commission approval to move forward with the development of a PAYS® pilot program that is consistent with the consensus document.<sup>13</sup> Further, the collaborative group seeks guidance from the Commission regarding two components of the pilot program: (1) the expectation that the utility will follow its normal procedures, including disconnection, in the event of non-payment of the charge, and (2) how the program should address the requirement of the payment obligation being tied to the service location and meter, not to the customer.<sup>14</sup>

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<sup>10</sup> *Id.*, pp. 3-4.

<sup>11</sup> Detroit Edison's third report to the Commission on the status of the PAYS® collaborative, filed December 5, 2005, p. 2.

<sup>12</sup> *Id.*, p. 3.

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*, p. 4.

## II. Comments

Comments on the December 5 consensus agreement were not explicitly solicited, but were received from three commenters: Mr. Charles M. Wood, of T.C.P. Company; Harlan Lachman, President of the Energy Efficiency Institute (EEI); and Martin G. Kushler, Director of Utility Programs for the American Council for an Energy Efficient Economy (ACEEE). All of these commenters participated in meetings of the PAYS® collaborative.<sup>15</sup>

### A. Charles M. Wood

Mr. Wood forwarded his comments to the Commission via electronic mail on February 25, 2006. In his comments, Mr. Wood states that Michigan is in need of a good energy savings program and all Michigan customers should be able to participate.<sup>16</sup> Furthermore, Mr. Wood argues that the energy savings program should be used to help the economic growth of Michigan and bring new jobs to the state.<sup>17</sup>

The PAYS® program is a good start, adds Mr. Wood, but there exists a need to explore additional options and programs.<sup>18</sup> According to Mr. Wood, once an energy savings program is

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<sup>15</sup> For the comments, see, respectively, documents 0590, 0591, and 0592 at <http://efile.mpsc.cis.state.mi.us/cgi-bin/efile/viewcase.pl?casenum=13808>). Detroit Edison indicates that consultants from the EEI were hired to present to the collaborative group a detailed explanation of the PAYS® system; that Dr. Kushler spoke to the collaborative group about energy efficiency program activity around the country and its evolution; and that both Mr. Wood and Dr. Kushler were participants in the collaborative (March 14, 2005 Report, p. 3, and Attachment, p. 1).

<sup>16</sup> Email from Charles M. Wood to Michigan Public Service Commission (Feb. 25, 2006).

<sup>17</sup> *Id.*

<sup>18</sup> *Id.*

created and implemented, all utilities should be mandated to participate, including natural gas and water utilities.<sup>19</sup>

B. Energy Efficiency Institute (EEI)

On March 1, 2006, EEI filed comments regarding Detroit Edison's third report. EEI recommends that the Commission approve Detroit Edison's request to proceed with its pilot program as designed with three modifications: (1) If Detroit Edison is unable to obtain the requisite funding from other sources and if Detroit Edison chooses to do so, Detroit Edison should recover start-up costs from all customers whether or not they are participants;<sup>20</sup> (2) Detroit Edison should recover bad debt from all customers, whether or not they are participants, if it chooses to do so;<sup>21</sup> and (3) Detroit Edison should be allowed to offer the PAYS® program to all customers, not only full service customers, if it chooses to do so.<sup>22</sup>

C. American Council for an Energy-Efficient Economy (ACEEE)

ACEEE filed comments with the Commission on March 7, 2006 regarding the proposed PAYS® pilot program. ACEEE states that PAYS® is a proprietary product and asserts that ACEEE is supportive of a limited experimental testing of this program component concept generally.<sup>23</sup> However, ACEEE suggests that the Commission should carefully consider the extent to which it explicitly endorses a proprietary product (that is, PAYS®) as opposed to a general concept (for example, the general idea of utility-financing options for energy efficiency improve-

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<sup>19</sup> *Id.*

<sup>20</sup> EEI comments, dated March 1, 2006 via electronic mail, p. 2.

<sup>21</sup> *Id.*, p. 4.

<sup>22</sup> *Id.*, p. 6.

<sup>23</sup> ACEEE comments, dated March 7, 2006, p. 1.

ments).<sup>24</sup> The PAYS® program, ACEEE asserts, should represent but one component of a comprehensive energy efficiency plan.<sup>25</sup> Other components that should be considered include, *inter alia*: consumer education; outreach and training of contractors, retailers and other “trade ally” participants; and other customer financial incentives such as rebates.<sup>26</sup> ACEEE argues that the utility should cover the costs of these components.<sup>27</sup> Furthermore, ACEEE asserts that the only available evaluation of a PAYS® program in the U.S. shows that having these other program elements available is both very important to customers and helps facilitate the use of the PAYS® on-bill financing mechanism.<sup>28</sup> Finally, ACEEE recommends that any Commission endorsement of a PAYS®-like program should emphasize that the program does not constitute a complete utility energy efficiency program nor does it provide a reason to delay or avoid the implementation of a more comprehensive energy efficiency program.

### **III. Discussion**

Detroit Edison’s third report requests Commission guidance in two specific areas of the PAYS® proposal: (1) whether a PAYS® program customer could be disconnected for non-payment of PAYS® charges, and (2) whether the payment obligation for permanently installed fixtures can be assigned to the utility meter, rather than explicitly to the customer taking service at that meter location. The collaborative group has reached a consensus agreement that includes both of these features.

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<sup>24</sup> *Id.*

<sup>25</sup> *Id.*

<sup>26</sup> *Id.*

<sup>27</sup> *Id.*

<sup>28</sup> *Id.*

First, the Commission recognizes that its regulations provide for customer shut off for the non-payment of “integral parts of the utility service.”<sup>29</sup> As such, the Commission finds that the PAYS® program as described in the consensus agreement will provide participating customers with energy efficient devices that may be considered to be an “integral part of the utility service” and would therefore qualify the voluntary participants of the program to be shut off for non-payment, provided that the participating customer is made aware in writing and in plain English of this condition and agrees to such at the time the utility customer contracts for participation.

Second and more problematic, is the suggestion that the PAYS® payment obligation follow the meter and not the customer. Any PAYS® obligation would then have to be communicated to a future apartment tenant or land purchaser by the former customer as well as the utility in order to ensure that the new customer receives full disclosure of the obligation. Because the Commission does not have jurisdiction over landlords or property sellers, it cannot directly require either group to give full disclosure of this obligation to a future PAYS® obligor. The Commission does regulate the utilities in question. However, neither utility is generally involved in rental or purchasing agreements. Indeed, the Commission posits that electric and natural gas utilities are not generally contacted by new tenants or property purchasers until after the lease or purchase agreements have already been completed.

The alternative of viewing this problem in terms of whether the utility should be allowed to deny service to a new customer unless they assume the obligation is equally troublesome. New customers who refuse the obligation could be left with no utility service provider. Furthermore, the option of the new tenant or new property purchaser being able to void the lease or purchase agreement should such a disclosure fail to be given is no realistic option at all. Lessors and new

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<sup>29</sup> See, R 460.3904(1)(b).



purchasers should not have to become homeless when they are the victims of nondisclosure in the first place. Therefore, the Commission finds that the payment obligation shall follow the customer and not the meter, contrary to the proposal by the collaborative group.

Detroit Edison, Mich Con, and the collaborative group should recognize that the consensus agreement, while detailed, does not provide a complete explanation of all elements of the proposed pilot program. As such, the Commission finds that Detroit Edison and Mich Con should file a final PAYS® pilot program proposal in a new docket providing a complete and detailed explanation of all elements of the proposed pilot.

In addition, the Commission recognizes that the development of the proposed pilot program will require seed money. To that end, the Commission will cooperate with other state or federal governmental agencies, non-profit groups, or businesses that Detroit Edison and Mich Con might apply to or petition for monies to develop the PAYS® pilot program. In the event it becomes necessary for Detroit Edison to provide the developmental seed money itself, the Commission notes that Detroit Edison has the opportunity to propose incorporation of expenditures in a future rate recovery proceeding.

With that being stated, the Commission recognizes that both Detroit Edison and Mich Con have already been authorized to expend very substantial sums for the purpose of updating their billing systems to address both natural gas and electric utility customer choice programs.<sup>30</sup> Detroit Edison should carefully reassess the approximately \$180,000 that it projects will be necessary to adapt its billing system to accommodate the PAYS® program in light of the millions of dollars of expenditures already dedicated to similar purposes. The Commission will expect the utility to show that expenditures necessary to include a PAYS® line-item on participating customer bills are

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<sup>30</sup> See generally, the Commission's orders in Case Nos. U-11956, U-12359, U-12892/U-13808, U-13341, U-13738, and U-14079.

truly incremental, and are not covered by expenditures previously approved for similar purposes, through the aforementioned orders.

At this time, the Commission sees no persuasive reason why participation should be limited only to full service customers. Alternative electric suppliers that are interested in developing energy efficiency programs that incorporate the essential features of PAYS® are invited to submit similar pilot program proposals for provision to Detroit Edison or Mich Con customers. Nor is it apparent why a participating customer must remain on full service for the duration of the payment obligation. As long as the customer retains a billing relationship with the utility, it should be permitted to opt for choice. Therefore, the final design of the PAYS® pilot program should also include specific proposals for the recovery of start-up costs, treatment of bad debt related to the pilot program, and offering the PAYS® program to all customers, not only full service customers. The final PAYS® Pilot Program design should be filed with the Commission in a new docket not later than January 31, 2007.

Finally, the Commission agrees with the various commenters that energy savings is of great importance to all Michigan utility customers and that all practical options and programs for achieving greater energy savings should be explored. In its October 18, 2005 order in Case No. U-14667, the Commission stated that “[A] rational energy policy for Michigan must include efforts towards identifying and implementing practical, cost-effective, and achievable reductions in energy demand through energy efficiency programs.”<sup>31</sup> The Commission remains committed to achieving this objective and welcomes proposals for doing so.

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<sup>31</sup> Order, pp. 4-5.

The Commission FINDS that:

a. Jurisdiction is pursuant to 1909 PA 106, as amended, MCL 460.551 *et seq.*; 1919 PA 419, as amended, MCL 460.51 *et seq.*; 1939 PA 3, as amended, MCL 460.1 *et seq.*; 1969 PA 306, as amended, MCL 24.201 *et seq.*; and the Commission's Rules of Practice and Procedure, as amended, 1999 AC, R 460.17101 *et seq.*

b. Detroit Edison and Mich Con should file a final pilot program proposal in a new docket, providing a complete and detailed explanation of all elements of the proposed pilot program by January 31, 2007.

THEREFORE, IT IS ORDERED that The Detroit Edison Company and Michigan Consolidated Gas Company shall file with the Commission a final pilot program proposal in a new docket, providing a complete and detailed explanation of all elements of the proposed pilot program by January 31, 2007.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so by the filing of a claim of appeal in the Michigan Court of Appeals within 30 days of the issuance of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ J. Peter Lark  
Chairman

( S E A L )

/s/ Laura Chappelle  
Commissioner

/s/ Monica Martinez  
Commissioner

By its action of September 26, 2006.

/s/ Mary Jo Kunkle  
Its Executive Secretary

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

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Chairman

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Commissioner

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Commissioner

By its action of September 26, 2006.

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Its Executive Secretary

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THE DETROIT EDISON COMPANY AND MICHIGAN CONSOLIDATED GAS COMPANY  
PAYS® COLLABORATIVE  
PAYS® PILOT PROGRAM GENERAL FRAMEWORK CONSENSUS AGREEMENT

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The Collaborative, in its meeting on September 12, 2005, reached agreement on the general framework for a two-year pilot program for Detroit Edison (electric) and MichCon (gas), medium-sized commercial customers. This memorandum describes the provisions of that consensus agreement.

The consensus agreement consists of:

1. Proposal for continued development of necessary prerequisite PAYS® Pilot Program details; and,
2. General framework and structure for a PAYS® Pilot Program for Detroit Edison (electric) and MichCon (gas), medium-sized commercial customers.

Here is the text of the general agreement:

1. Proposal for continued development of necessary prerequisite PAYS® Pilot Program details
  - 1.1 The parties agree that the proposed development of a PAYS® pilot program will address only a small component of the full range of energy efficiency improvements, across all customer classes, that could help address Michigan's present and future energy needs, and that further discussion and examination of other ways to fund and administer a more comprehensive portfolio of energy efficiency programs should be pursued as soon as possible.
    - 1.1.1 Both DTE and Collaborative Participants agree to continue dialogue about other energy efficiency program options, after the establishment of the PAYS® Pilot Program Task Force described in this document.
    - 1.1.2 The goal of continuing dialogue shall be to identify and recommend to the Commission any additional sources of funding and administrative mechanisms that are supported by a substantial number of Collaborative Participants.
  - 1.2 A PAYS® Pilot Program Task Force (PTF) shall be formed, with membership intended to reflect the points of view of all major groups likely to have an interest in the Pilot Program. (Appendix A, Paragraph 1, includes a proposed, preliminary list of viewpoints that may be considered for PTF participation.)
    - 1.2.1 Participation in the Task Force shall be voluntary and without compensation for the members of the task force.
    - 1.2.2 The Task Force shall establish its own operational procedures, which may include the development of written by-laws or other similar documents.
      - 1.2.2.1 The Task Force shall establish policies and procedures for replacing any members who resign or are removed from the Task Force.
      - 1.2.2.2 The Task Force shall establish policies regarding conflict of interest.
        - 1.2.2.2.1 It will not be considered a conflict of interest for PTF member individuals or their companies to participate in the PAYS® Pilot Program as vendors and/or as participating customers.
        - 1.2.2.2.2 Neither Task Force members nor their companies shall be employed by or work as contractors or subcontractors for the PAA (as described in 1.8), Expert

PAYS® Consultants (as indicated in Appendix A), PCA (as described in 2.6), or Evaluation Agent (as described in 2.3).

1.2.2.2.3 If a Task Force member is determined to have a conflict of interest, that member must either remove the source of conflict or resign their position on the Task Force.

1.2.2.3 The Task Force shall, to the extent practical and allowable under state and federal law, implement all reasonable preferences for participation in the program by Michigan-based companies, including manufacturers, distributors, vendors, contractors and subcontractors.

1.2.3 The task force may include one representative of DTE (the parent company of Detroit Edison and MichCon).

1.2.4 The Task Force may hire and compensate staff and/or a PAYS® Administration Agency (see paragraph 1.8), necessary to undertake its required activities.

1.2.5 All reasonable Task Force expenditures shall be considered to be eligible PAYS® Pilot Program Costs, subject to cost recovery as discussed in paragraphs 1.6.

1.3 The PAYS® Collaborative group has determined the basic framework and guidelines for the proposed PAYS® Pilot Program, as described in this document. Once the PTF has been established, however, the PAYS® Collaborative group will cease to function as advisor to the Pilot Program, and that function will be assumed by the PTF.

1.4 The PAYS® Collaborative shall be disbanded once the PAYS® Pilot Program Task Force has been assembled, but dialogue and discussion of other non-PAYS® approaches to energy efficiency programming shall be continued by a similar Collaborative group, as discussed in 1.1.

1.4.1 There is no prohibition against individuals, companies, or other agencies being represented on more than one of these groups. In fact, it is expected that most or even all of the PTF group will be comprised of people who have already been participating in the PAYS® Collaborative.

1.5 The PAYS® Pilot Program Task Force (PTF) will have the responsibility and full authority to make recommendations regarding all of the detailed decisions about the design and operation of the proposed Pilot Program, which shall be presented to the Michigan Public Service Commission and the various other agencies that will be participating in Pilot Program operations.

1.6 Participants estimate a maximum of \$500–\$575,000 will be necessary, in total, to complete all work required for developing and initiating the pilot program for both Detroit Edison and Michigan Consolidated Gas Companies, including expenditures that may be required to modify the utilities' billing and information systems to accommodate PAYS® billings and collections. The estimated budget for start-up costs is presented in Appendix A.

1.6.1 These funds will either be contributed to the program by DTE or its affiliated companies and/or any other sources of grant funding, or loaned to the program by DTE or its affiliated companies or other investors.

1.6.1.1 It is further understood that DTE's expectation will be for any loans provided by DTE or DTE affiliates to be repaid, with reasonable interest, either out of PAYS® charges, authorized PAYS® administrative fees as discussed in paragraph 2.6, or via such other cost recovery mechanisms which may be approved by the Michigan Public Service Commission.

1.6.1.2 At this point, Detroit Edison's only commitment is to continue the Comprehensive Energy Efficiency Programming Collaborative dialogue process as described in

Paragraph 1.1, and to participate in the further development of a PAYS® Pilot Program as described in this document.

- 1.7 The PTF will seek financial support for the start-up costs, from federal and/or state grants, from private foundation grants, from public or private program related investments, and/or from DTE or its affiliated companies.
  - 1.7.1 DTE and/or Detroit Edison and MichCon agree to provide letters of support, indicating the utility companies' willingness to participate in the Pilot Program, which the PTF can use in soliciting such financial support from federal or state agencies, private foundations, and potential public or private program investors that have indicated interest in providing such support or have solicited relevant requests for the provision of related financial support.
- 1.8 Once sufficient start-up financial support has been obtained from one or more sources, to proceed with detailed program development, a PAYS® Administration Agency (PAA) shall be identified by the PTF through a competitive solicitation.
  - 1.8.1 "Sufficient" start-up financial support shall be determined by the PTF, and may be less than the estimated \$500–\$575,000 necessary to complete all Pilot Program developmental work.
  - 1.8.2 The PAA must agree to follow the directions of and be guided by PTF recommendations for the design, operations, monitoring, and evaluation of the Pilot Program, as described in part 2 of this document.
2. General framework and structure for a PAYS® Pilot Program for Detroit Edison (electric) and MichCon (gas), medium-sized commercial customers
  - 2.1 A pilot program will be designed and implemented which will allow customers two-years to submit completed agreements to purchase PAYS-certified measures or services.
    - 2.1.1 In order to participate in the PAYS® Pilot Program, customers and their chosen vendors must both sign a PAYS® Purchase Agreement which shall be written in plain English. The PAYS® Purchase Agreement shall include:
      - 2.1.1.1 An itemized list of the measures to be installed and services to be received;
      - 2.1.1.2 The date by which installation shall be completed;
      - 2.1.1.3 The estimated utility bill cost savings;
      - 2.1.1.4 The monthly PAYS® charges to be billed by and repaid to the utility company, and the anticipated duration of the monthly PAYS® charges;
      - 2.1.1.5 Affirmative customer agreement to the specific terms described in sections 2.8 and 2.9; and,
      - 2.1.1.6 Affirmative customer agreement to cooperate with reasonable PAYS® monitoring and evaluation efforts, if requested by the PAA, PCA, or Evaluation Agent.
  - 2.2 The pilot program will be monitored and monitoring reports will be provided to interested parties, including the MPSC, each six months.
    - 2.2.1 Monitoring reports will document numbers and types of participating customers, amounts invested, numbers and types of measures, and estimated savings.
      - 2.2.1.1 It is not anticipated that any customer-specific information will be included in monitoring reports.
      - 2.2.1.2 All agencies engaged in program monitoring activities must agree not to release customer-specific identification information (such as name, address, account number,



etc.) to any outside parties without obtaining the customer's explicit prior permission, in writing, which authorizes such release.

2.2.2 Monitoring reports will be prepared by the PAA, incorporating some information gathered from the utilities, and then be approved by the PTF.

2.3 The pilot program will include provisions for a process evaluation to be conducted by an independent Evaluation Agent, following guidelines established by the PTF.

2.3.1 The Independent Evaluation Agent shall be retained by the PAA, using a competitive solicitation process with oversight and decision making support and approval from the PTF.

2.3.2 The Evaluation Agent's report will be delivered to the PTF, and the PTF will provide to the MPSC and interested parties a final Pilot Program Evaluation Report.

2.3.3 That report shall be delivered at the end of the two-year pilot program, based on process evaluation of appropriate samples of activities during months 6 through 18 of the pilot program.

2.3.3.1 All agencies engaged in program evaluation activities must agree not to release customer-specific identification information (such as name, address, account number, etc.) to any outside parties without obtaining the customer's explicit prior permission, in writing, which authorizes such release.

2.4 The target population for PAYS® Pilot Program participation will be full-requirements<sup>1</sup> commercial accounts of either MichCon or Detroit Edison, with emphasis on schools, governments, municipalities, hospitals, and small commercial and manufacturing.

2.4.1 Eligible participants will be identified by utility rate code (e.g., all full-requirements electric utility customers whose service is provided through Detroit Edison Rates D3 or D4, or all full-requirements natural gas customers whose service is provided through MichCon Rate Schedules GS-1, GS-2, or S).

2.4.1.1 Participating customers must meet all PAYS® pilot program eligibility requirements at the time when they enter into a PAYS® agreement, and they must remain full-requirements customers of at least one of the DTE utilities for the duration of their PAYS® monthly payments.

2.4.1.2 Participating customers may, however, change to a different Detroit Edison and/or MichCon rate during the time period covered by their PAYS® agreement, as long as they meet all of the requirements of the different rate(s). The customer's PAYS® monthly payments will continue for the duration of their PAYS® payments, even if the customers switches to another Detroit Edison and/or MichCon rate.

2.4.2 Eligible customers will include most municipal buildings, schools/colleges/universities, hospitals, and most commercial and small industrial customers who are full-requirements customers of either MichCon, Detroit Edison, or both. A total of about 275,000 customers

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<sup>1</sup> A "full-requirements" customer is one who buys all of their electric utility service from one electric utility company or all of their gas utility service from one natural gas utility company. In PAYS® Collaborative discussions, such customers have also been referred to as "bundled" or "full-service" customers. In the case of electric utilities, a full-requirements customer purchases transmission, distribution, and generation service from one utility company. In the case of natural gas utilities, a full-requirements customer purchases the gas and its transportation and delivery from one utility company. The opposite of a full-requirements customer for electric service is an electric choice customer (who buys transmission and generation service from a non-utility alternative electric supplier). The opposite for a natural gas utility is a gas transportation service or gas choice customer, who buys the natural gas commodity from a non-utility competitive supplier and purchases only the transportation and delivery of natural gas from the natural gas utility company.

will be eligible to participate in the PAYS® Pilot Program. MichCon and Detroit Edison estimates 80,000 combination customers – of both the natural gas and electric utility – and about 195,000 customers of one or the other of the utilities, but not both.

- 2.5 In order for a measure, service, or package of measures and services to qualify as PAYS® products, the majority of the energy savings must be of the type of energy provided by the sponsoring utility (i.e., primarily electric savings for Detroit Edison and primarily gas savings for MichCon).
  - 2.5.1 Customers of only one of the two companies, either Detroit Edison (electric) or MichCon (gas) will be eligible only for measures or packages of measures which produce a majority of energy savings of the type provided by their sponsoring utility.
    - 2.5.1.1 Fuel switching measures shall not be allowed for inclusion in packages provided to customers who take service from only one of the two utilities.
    - 2.5.2 Customers in the combined service territory – that is full service customers of both the gas and electric utility – will be eligible to receive PAYS® packages intended to reduce the costs of either or both utility services.
      - 2.5.2.1 PAYS® packages for customers who are combined customers of both MichCon and Detroit Edison may be split into one portion to be billed via the gas company and another portion to be billed by the electric company, so that monthly cost reductions are generally reflected on the bill for each type of utility service affected by the PAYS® measures installed.
      - 2.5.2.2 So long as they meet all other PAYS® certification requirements, fuel switching measures shall be allowed for inclusion in packages provided to customers of both the gas and electric companies.
  - 2.6 There will be independent certification of PAYS® measures and projects, and prequalification for vendors who agree to abide by the terms and conditions of the PAYS® Pilot Program.
    - 2.6.1 The certification and prequalification processes will be carried out and/or directed by an agency independent of Michigan utility companies and PAYS® measure manufacturers, suppliers, or vendors. In this document, this agency is identified as the PAYS® Certification Agent (PCA).
    - 2.6.2 The certification will verify that the measures and their installation are appropriate and that estimated/modeled utility cost savings will exceed customer payments for the packages of measures, based on the 3/4 x 3/4 rule. This rule states that 3/4 of the total utility bill cost savings, paid over 3/4 of the lifetime of the measures, should be sufficient to cover the entire cost of a customer's PAYS® measures, including all program fees and finance charges.
    - 2.6.3 Participating vendors will be required to warranty their packages of measures and any related services over the entire duration of PAYS® payments, and will be expected to correct any measure failures during the warranty period.
    - 2.6.4 Participating vendors must agree to abide by all of the PAYS® product and service requirements, as established by the PAA and/or PCA, and must meet responsible contractor criteria, with oversight and approval of all such criteria by the PTF, which may include, at a minimum:
      - 2.6.4.1 Obtaining and maintaining in good standing all required state and local business licenses;
      - 2.6.4.2 Obtaining and meeting the requirements of all state and local building, construction, electrical, mechanical, and fire codes and standards;

- 2.6.4.3 Demonstrating satisfactory financial condition;
  - 2.6.4.4 Demonstrating a good safety record;
  - 2.6.4.5 Providing proof of maintaining all required insurances & surety bonding;
  - 2.6.4.6 Demonstrating compliance with all relevant regulatory requirements (local, state, and federal);
  - 2.6.4.7 Demonstrating satisfactory history regarding civil suits and arbitration;
  - 2.6.4.8 Maintaining a Michigan office;
  - 2.6.4.9 Providing a toll-free access phone number for customers;
  - 2.6.4.10 Providing bonding or an irrevocable letter of credit sufficient to serve as a guarantee of vendor performance for the PAYS® program;
  - 2.6.4.11 Installing products and completing related services in accordance with manufacturers specifications and standard building practices; and,
  - 2.6.4.12 Agreeing to accept the PAA's and/or PCA's determination of quality as final, unless overturned by arbitration.
- 2.6.5 All participating vendors must pre-qualify for participation in and may request pre-qualification any time during the PAYS® Pilot Program.
- 2.6.6 To the extent practical and allowable under state and federal law, the PCA shall implement all reasonable preferences for participation in the program by Michigan-based companies, including manufacturers, distributors, vendors, contractors and subcontractors.
- 2.6.7 A reasonable application fee may be charged for vendor pre-qualification. If such a fee is charged, the associated revenues shall be used to defray the PAA's costs associated with processing the applications.
- 2.7 A capital fund of approximately \$30 million will be developed for PAYS® measures, based on a competitive solicitation for financiers to provide funds for use in this manner.
- 2.7.1 A competitive bidding process shall be utilized by the PAA in order to establish minimum qualifications for and then to identify an investor or investors in the capital fund.
    - 2.7.1.1 All else being equal, the PAA shall select from the bidding process the investor or investors who offer to extend credit for the purposes of establishing the capital fund at the lowest rate of interest.
    - 2.7.1.2 The PAA shall seek assurances from participating investor or investors that there shall be no financial penalty imposed if any amount less than the fully authorized capital fund is used during the duration of the Pilot Program.
  - 2.7.2 If the PTF so determines, the Pilot Program may be started with a capital fund of less than \$30 million.
  - 2.7.3 The total amount of the capital fund may vary from the \$30 million estimate, depending upon results of the PAA's solicitation.
  - 2.7.4 Vendor financing will also be allowed, in addition to the capital fund. Vendors who offer financing will be expected to provide full disclosures of the terms and conditions of their offers. To the extent that financing remains available from the capital fund, Vendors shall also disclose to customers the terms and conditions available to customers through the capital fund.

- 2.7.5 In order to make certain that the potential risks of bad debt in the pilot program are kept within manageable levels, it may be necessary to establish a maximum dollar amount cap on vendor financing (though that cap could be adjusted over the duration of the pilot program, based on early experience with PAYS® debt repayment).
- 2.8 PAYS® tariffs for Detroit Edison (electric) and MichCon (gas) will tie the PAYS® payment obligation to the meter location where the measures are installed. That is, for permanently installed measures, the payment obligation will stay with the meter in case the customer moves away and a new customer comes to occupy the same location.
- 2.8.1 Collaborative participants understand that further research will be required regarding this provision.
- 2.8.2 Prior MPSC approval may be required in order for this provision to be implemented and/or PAYS® contract agreements signed by participating customers may have to provide for a provision similar to a lien on the customer's property in order for this provision to be implemented. Research into practical alternatives and mechanisms for implementing this provision in a manner compatible with PAYS® shall be completed by the PAA and its subcontractors. If any such alternatives and mechanisms are developed, they shall be completed by the PAA and its subcontractors, and if endorsed by the PTF, a final recommendation shall be presented to the Commission for its approval.
- 2.9 Billing and payment for the measures will be presented to the customer via a charge on the utility distribution bill, with the expectation that the utility will follow its normal procedures, including disconnection, in the event of non-payment.
- 2.9.1 Collaborative participants understand that prior MPSC approval or a waiver of current MPSC billing rules may be required in order for this provision to be implemented.
- 2.10 For any customer delinquencies or non-payment for PAYS® charges, DTE will utilize the company's regularly-employed functional processes to try to prevent bad debt from occurring, and DTE will implement its normal procedures to recover any PAYS-related bad debt.
- 2.10.1 A separate accounting of PAYS-related bad debt will be made, and any bad debt charges attributed to PAYS® will ultimately be considered to be eligible PAYS® Pilot program costs, subject to recovery under the methods discussed in paragraph 1.6, rather than being assigned to non-participating customers.
- 2.10.2 Details remain to be worked out for how partial payments will be handled and allocated by Detroit Edison and MichCon.
- 2.11 In addition to any of the roles discussed elsewhere in this document, the utilities' functional roles in the operations of the pilot program will be limited to: (a) acting as the billing and collection agent for PAYS® customer charges as discussed in paragraph 2.9; (b) utilizing the company's regularly-employed processes to try to prevent bad debt as discussed in paragraph 2.10; (c) cooperating with the promotion, marketing, and education efforts needed to support the PAYS® pilot as discussed in paragraph 2.14; and (d) notifying new customers at locations with PAYS® obligations, by letter within a reasonable time and prior to new service commencement of a new customer requesting service at an address with a pays obligation, of the PAYS® obligation, including basic information provided to the utility by the pre-filed PAYS® agreement and updated by the PAA as necessary, including the monthly charges and remaining anticipated duration of those charges, the measures installed, and the estimated customer savings.
- 2.12 Edison's and MichCon's roles in administering the program will continue for the duration of customer PAYS® payments for measures purchased during the two-year Pilot.
- 2.12.1 Measures could have lifetimes of several years, so it is likely that PAYS® charges will continue well past the expiration of the two-year duration for customers to sign up. The program anticipates some measures may be paid for over as long as about 7.5 years

(which assumes a maximum 10-year measure life).<sup>2</sup>

- 2.13 With respect to billing and collections, the utilities will collect PAYS® payments and make a transfer of the funds to the PAA.
- 2.13.1 The appropriate frequency of such transfers (e.g., daily, weekly, monthly, bi-monthly, etc.) will be determined based on discussions between the PAA and Edison and MichCon, based on the mutually agreed upon goals of maximizing efficiency and minimizing program costs.
- 2.13.2 It will be the PAA's responsibility to assure that accurate accounting records are maintained, as necessary in order to provide scheduled repayments to the capital fund and/or to any vendors that have provided their own financing for PAYS® measures.
- 2.13.3 As part of their billing and collection for PAYS® charges, the utilities will have the responsibility to maintain and provide to the PAA as appropriate any and all necessary data regarding PAYS® collections and payment processing.
- 2.13.4 The PAA and any other sub-contractors who have access to customer-specific data (e.g., customer names, addresses, utility account numbers, etc.) must agree in writing to: (a) not use such information for any other purpose; (b) not share the information with any other parties except as specifically required for the operations of the PAYS® Pilot Program; and, (c) keep such information confidential as required by Section 2.2.1.2 of this document.
- 2.14 With respect to promotion, marketing, and education, these plans and programs will be developed by the PAA, with the approval of the PTF.
- 2.14.1 PAYS® is a market-based system. General education about the tariff needs to be made available to potential PAYS® participants, but it is expected that all marketing costs related to specific products and services shall be borne by the vendors selling PAYS® products and services.
- 2.14.2 The PAA will be expected to make recommendations, approved by the PTF, regarding the development and dissemination of cost-effective promotional and educational materials.
- 2.14.3 The DTE utilities will be expected to make modest efforts to communicate basic information about the program through joint press releases with the PAYS® Administrator, announcements in customer communications, providing information on the companies' Web sites, and the like.
- 2.14.4 DTE will not be expected to assume any extraordinary costs associated with promotion, education, or marketing of the Pilot Program.
- 2.14.5 Training will be provided to DTE employees by the PAA or its subcontractors, as necessary for the DTE utility companies to carry out their roles in promotion and education. DTE's staff will answer basic questions about PAYS® charges, such as the amount that must be paid, the measures that were installed, that savings were estimated to be greater than the costs, and what to do if a measure fails.
- 2.14.6 It is expected that all more complex questions shall be referred to the PAA for handling, and the PAA shall provide such information and customer assistance both by toll-free telephone and by e-mail and through a Web site.<sup>3</sup>

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<sup>2</sup> Payments could take even longer, depending on occupancy changes and any required warranty work.

<sup>3</sup> Note: A PAYS® toll-free phone number could be 8##-PAYS-4-MICHIGAN [8##-7297-4-64].

2.15 Costs associated with revising the utility's billing systems in order to accommodate PAYS® charges may be considered eligible program costs, in which case they could be reimbursed to the utility, with interest, either through PAYS® charges or via one of the other funding mechanisms discussed in paragraphs 1.6.

2.15.1 DTE estimates the cost of making the required billing system changes for both utilities combined will be approximately \$180,000.

2.15.2 With the exception of those one-time start-up costs associated with billing system changes, however, all other DTE participation in the billing, collection, payment processing and accounting, marketing, and education efforts will be understood to fall under the types of customer service activities already provided for in DTE rates, and no additional charges shall be made to the PAYS® program itself.

2.15.2.1 PAYS® collaborative participants believe all such reasonably incurred costs associated with the DTE companies' ongoing participation in the PAYS® Pilot Program are recoverable through customer rates.

2.15.2.2 PAYS® collaborative participants agree not to object to MPSC approval of the recovery of such costs through customer rates.

ATTACHMENT B

APPENDIX A

**Estimated Budget and Tasks for PAYS® Pilot Program  
Start-Up and Ongoing Administration**

| ITEM  | ESTIMATED COST  |
|---|---|
| PAYS® Pilot Program Task Force (PTF)  | (roughly \$1,000 per quarterly meeting) \$12,000  |
| PAYS® Administrative Agency (PAA) (Tasks 3-18)  | \$50,000 to \$100,000   |
| Expert PAYS® Consultant(s)  | \$100,000   |
| Legal Consultant(s)   | (estimate \$250/hr. * 100 hr) \$25,000  |
| Evaluation Consultant(s)  | \$40,000  |
| Utilities Billing System Changes  | Estimate from DTE: \$180,000  |
| Marketing/Promotion/Awareness   | \$12,000  |
| Contingency Fund  | (~10-15%) \$50,000 to \$75,000  |
| Contingency Fund for PAYS Certification Agent (PCA) Start-Up  | \$33,000  |
| PAYS Certification Agent (PCA)  | Paid from Administrative Fees. Total administrative fees are expected to be 2% or less. |
| Total   | \$500,000 to \$575,000  |
| Note: All start-up costs could be repaid out of program administrative fees, depending on success of program in attracting participation. |   |

Start-up tasks include:

1. **Form PAYS® Pilot Program Task Force (PTF).** A PTF of reasonable size should be formed, to provide input to and oversight of the program design and all start-up process activities. PTF members are expected to volunteer their time for this process, but a modest budget should be allowed for meetings, refreshments, etc.

The PTF should include representatives of the following kinds of interests: (1) electric utility; (2) gas utility; (3) MPSC staff; (4) distributors of energy efficiency products; (5) efficiency product manufacturer; (6) efficiency vendor for larger C&I clients; (7) efficiency vendor for smaller C&I clients; (8) someone familiar with the roles of the energy auditing and PAYS® Certification Agent; (9) someone familiar with the roles of program evaluator; (10) representative of larger C&I customers; (11) representative of smaller C&I customers; (12) representative of environmental groups; (13) representative of NGO energy efficiency organizations; and (14) member at large.

It may be possible for a single person to fulfill more than one of these roles on the PTF. The PTF should be limited to no more than about 15 people, in order to keep it manageable.

No more than one person per organization can serve on the PTF.

The PTF should designate one contact person for the PAYS® Administrative Agency (PAA) to deal with. This person might be a committee leader, chairperson, or a paid staff person for the PTF. This person should be available for day-to-day communications with the PAA, and should know enough about the wishes of the PTF, and be in regular contact with PTF committee members, to help the PAA with day-to-day decisions.

The PTF shall act as the Executive Committee which shall provide oversight and direction to the PAA, as discussed in this Appendix, paragraph 2.

2. **Contract PAYS® Administrative Agency (PAA).** A detailed competitive solicitation should be developed for hiring the PAA to undertake tasks 3 through 18.

It is expected that the solicitation document can form the basis for the work statement for an RFP for hiring the requisite PAA and any PAYS® consultants. It is expected that all appropriately qualified PAYS® consultants necessary to conduct the tasks described in this Appendix will be either employees of or subcontractors to the PAA.

It is expected that the PAA will utilize competitive solicitations for hiring all subcontractors needed for this project whose total compensation exceeds \$25,000. The PAA shall, to the extent practical and allowable under state and federal law, implement all reasonable preferences for participation in the program by Michigan-based companies, including manufacturers, distributors, vendors, contractors and subcontractors.

3. **Design PAYS® tariff.** This task and task 4 will include reviewing Michigan utility rate provisions, tax provisions, consumer contracting provisions, accounting treatment, etc. Such provisions need to be explored from the standpoint of municipalities, schools, colleges and universities, other non-profits, profit-making commercial and industrial companies, etc.

Approximately \$30,000 has been included in the budget, for securing the legal expertise needed to complete these reviews. The PAA should be encouraged to obtain these services from Michigan law school faculty and students, to the extent practical.

4. **Prepare contracts:** (a) between customers and vendors/service providers; and (b) between vendors/service providers and utility. In addition, landlord/tenant agreement forms will be required.
5. **Prepare disclosures** (the forms that will be provided by the vendors/service providers to participating customers). Include input from vendors, utilities, customers, etc.

The documents and procedures prepared for tasks 4 and 5 should be reviewed and approved by the PTF prior to the pilot program start-up. The goal is to incorporate all interested parties' input so that problems that would otherwise require disruptive changes during the pilot program are avoided, to the greatest extent possible.



6. **Set up the billing and accounting systems.** The utilities' billing and accounting systems will have to be modified, as necessary, to incorporate PAYS® billing and accounting functions.

Thought needs to be given to precisely what information will be presented on the bill and how it is presented to customers. Careful design can minimize costs for the utilities (by only including information which is not costly to include) and prevent future problems by ensuring that purchasing and successor customers are presented the information they need, when they need it.

7. **Set up the collection and payment system.** The "back room" operations need to be developed, whereby customer payments are collected and accounted for, and the appropriate amounts are directed to participating vendors/service providers. The PAA will develop a detailed statement of the requirements for these processes. These services shall be either provided by the PAA or procured through a competitive bid solicitation.
8. **Develop the certification process, screening tools, and forms.**

Project/measures certification is a key component of PAYS®. Certification standards, a screening tool or tools (such as spreadsheet templates), and forms need to be developed. The standards, screening tool(s), and forms will be developed by the PAA, with input from the PTF.

9. **Establish and hire the PAYS Certification Agent (PCA).** The PAA shall either fulfill the role of PCA, or use a competitive solicitation process to identify and hire the PCA. A combined or sequential Request for Qualifications (RFQ) and Request for Proposals (RFP) process shall be used to identify and hire the PCA, if the PAA is not equipped to undertake this role. Depending on the outcome of decisions regarding Tasks 7 and 8, the PCA may require some modest start-up funding.<sup>1</sup>

The PCA shall, to the extent practical and allowable under state and federal law, implement all reasonable preferences for participation in the program by Michigan-based companies, including manufacturers, distributors, vendors, contractors and subcontractors.

10. **Solicit Investors for estimated \$30 Million Capital Fund.** The PAA drafts the solicitation which is offered to, and helps to select, capital investors.
11. **Solicit Vendors for Participation in PAYS® Program.** The PAA drafts an RFQ/RFP for vendors who wish to participate.

This RFQ/RFP shall make explicit, for participating Vendors, such requirements as meeting responsible contractor provisions, and providing the functional equivalent of

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<sup>1</sup> For purposes of the Budget Estimate (above), \$33,000 has been included for this purpose. This amount would be expected to be ample to protect the PCA in case there are few or even no PAYS® measures purchased. If the program meets expected targets, these funds can be repaid.

bonding and/or irrevocable letters of credit, and to back warranties or extensions of warranties on measures through the 3/4 of life period for PAYS repayments.

The PAA shall be expected to manage this RFQ/RFP process prior to program start-up. Following start-up, however, new vendors shall be allowed to enter the program at any time. Once the RFQ/RFP has been prepared and used at the outset of the program, then it is expected that either the PAA or the PCA under the guidance and supervision of the PAA can manage vetting and adding new vendors, as needed.

A reasonable application fee may be charged for vendor prequalification. If such a fee is charged, the associated revenues shall be used to defray the PAA's costs associated with processing the applications.

- 12. Design and implement training program for PCA.** PAA develops and implements training.

The PCA will be trained in the application of those standards, tools, and forms, developed in task 8.

- 13. Design and implement training program for utilities staff.** The most likely scenario is that the PAA will work with the utilities' staff trainer(s), and then the utilities' staff trainer(s) will complete the training, as needed, for the utilities' personnel.

- 14. Design and implement training program for vendors/service providers.** PAA develops and implements training for vendors/service providers.

- 15. Design and implement publicity/promotion/public awareness/marketing activities.** It is expected that this effort will be done at very low cost, with both the utilities and vendors providing significant assistance, using news media coverage, business associations, etc. Participating vendors will accomplish most of the marketing, at no cost to the program.

- 16. Design monitoring and evaluation program.** The PAA designs these.

- 17. Hire Evaluation Agent.** The PAA will develop and implement the RFQ/RFP process for hiring the Evaluation Agent.

The Evaluation Agent will accept the parameters developed in task 16, and then develop and implement protocols necessary to complete that evaluation.

- 18. Prepare Proposal for Commission Approval,** including presentation for Commission. The PAA should be prepared, if necessary, to support the utilities in making the filing to the Commission.

### ***ON-GOING ADMINISTRATIVE COSTS***

The only administrative costs are for the PCA to do its quality assurance and quality control checks, and any fees that might be charged by the utility for doing its bill collection and payment function. The total of these costs is estimated at no more than 1% of the cost of measures.

For a sample of all large projects, the PCA will need to complete some analysis of the installations, including some measure(s)-commissioning analysis. These reviews and site visits might be reimbursed on a fixed fee per customer basis. For all simple measures and small customer installations, some sample telephone interviews should suffice for Certification. It is expected that the oversight necessary to perform adequate quality assurance and control can be obtained for a fee not to exceed 1 percent of the total cost of measures.

The PCA and/or utilities will be responsible for some basic monitoring and the issuance of monthly reports which will include basic data on the numbers of customers, numbers of measures by type, estimated savings, costs, etc. The utilities would likely report periodically on PAYS-related bad debt.

Though the exact scope of work for the PCA must be worked out and coordinated with the PAA (as Tasks 3 through 8 are completed), it is reasonable to expect total administrative costs (including ample funds to repay all start-up costs, over the duration of measures installed during the 2-year pilot program) can be held to not more than 2% of the total cost of measures.

**APPENDIX B**

**PAYS® Pilot Program  
Preliminary List of Participating Organizations  
and Their Basic Responsibilities**

| <b>WORKING NAME OF ORGANIZATION</b>  | <b>BASIC ROLES IN PAYS® PILOT PROGRAM</b>   |
|--------------------------------------|---|
| PAYS® Pilot Program Task Force (PTF) | <p>Takes over from Collaborative once consensus agreement is finalized. Then acts as Executive Committee, providing oversight for developing details of the pilot. (See especially 4 and 5, below.)</p> <ul style="list-style-type: none"> <li>• Provides continuing oversight for the detailed design and implementation of the PAYS® Pilot Program</li> <li>• Makes recommendations regarding all details about the design and operation of the proposed pilot program to MPSC and other agencies participating in pilot program operations</li> <li>• Seeks financial support for start-up costs through grants, public or private program related investments, and/or from DTE or its affiliated companies</li> <li>• Once sufficient start-up financial support is obtained, identifies a PAYS® Administrative Agency (PAA) through a competitive solicitation</li> <li>• Directs and guides the PAA in the design, operations, monitoring, and evaluation of the pilot program</li> <li>• Establishes guidelines for the PAYS® independent evaluation agent</li> <li>• Receives evaluation agent's report and provides MPSC and interested parties with a final pilot program evaluation report</li> <li>• Provides oversight and approval for 'responsible contractor' criteria for vendors participating in PAYS® Pilot Program</li> <li>• Approves PAYS® Pilot Program promotion, marketing, and education plans and programs developed by PAA.</li> </ul> |

| WORKING NAME OF ORGANIZATION  | BASIC ROLES IN PAYS® PILOT PROGRAM   |
|---|--|
| <p>PAYS® Administration Agency (PAA)</p>  | <p>Responsible for implementing PTF recommendations. Could be same as PAYS® Certification Agent, but could also be separate organization. Could be non-profit or for-profit group, committed to developing PAYS® programming for multiple Michigan utilities.</p> <p>Anticipated PAA Roles include providing or procuring the following:</p> <ul style="list-style-type: none"> <li>• Obtaining start-up funding and entering into grant agreements and/or contracts as necessary to complete start-up tasks and implement the Pilot Program.</li> <li>• PAYS® expertise as needed.</li> <li>• Expertise as needed to carry out roles of PCA and PAYS® Evaluation Agent.</li> <li>• Monitor and report on PAYS® Pilot Program.</li> <li>• Provide oversight and troubleshooting for Pilot Program.</li> <li>• Receive and distribute payments to capital fund and vendors, as appropriate.</li> <li>• Pre-qualify vendors</li> <li>• Pre-qualify and/or qualify measures</li> <li>• Develop and assist with program education, promotion, and marketing</li> <li>• Receive and verify customer enrollments</li> <li>• Send customer enrollment information to utilities</li> </ul> |
| <p>PAYS® Certification Agent (PCA)<br/>Note: Could be same as PAA (See 11).</p> | <ul style="list-style-type: none"> <li>• Certifies measures and packages of measures for PAYS® financing, making sure all certified measures meet PAYS® requirements based on scientific analysis and may be approved for installation under all relevant state and local codes and standards.</li> <li>• Pre-certifies vendors for participation in program.</li> <li>• Investigates and reports on problems reported by program participants.</li> <li>• Inspects and audits some installations for monitoring purposes.</li> <li>• May engage in commissioning activities for specific measures, on a fee-for-service basis.</li> </ul>   |
| <p>PAYS® Evaluation Agent</p>   | <p>Hired by PTF or could be hired by PAA with PTF oversight of hiring process and approval of decision. Should be independent from PAA, PCA, and other interested parties.</p> <ul style="list-style-type: none"> <li>• Completes PAYS® Pilot Program process evaluation, following guidelines established by the PTF</li> <li>• Delivers process evaluation report to PAA and PTF by end of two-year pilot program, based on appropriate samples of activities during months 6-18 of the pilot program</li> </ul>   |