

Consumers Energy: The Impact of Buying Local

EXECUTIVE SUMMARY

The BlueGreen Alliance Foundation's (BGAF) Building Clean program is an initiative to strengthen domestic manufacturing by accelerating energy-efficient retrofits for affordable multi-family housing. As part of this initiative, BGAF developed a product database with information on American manufacturing sites that produce healthy energy and water-efficient products.

The **Buy Local, Buy Healthy** database, accessible through www.buildingclean.org, provides material supply chain information for manufacturers, residents, building owners, and contractors to learn about energy efficient housing products and hazardous materials. As a part of BGAF's effort to accelerate retrofits, we are highlighting successful programs across the country that incentivize buying local or buying healthy.

The Buy Michigan and Made in Michigan incentive bonuses through Consumers Energy are practical examples of a buy local concept. By keeping spending in the state and rewarding consumers for buying Michigan-made products, Consumers Energy contributes to the local economy and helps create jobs while meeting their energy efficiency goals. These types of programs necessitate close

collaboration among different partners in the energy-efficient products sector. They can lead to closer relationships and a better understanding of the economy and needs of the state for the consumer, utility, and contractor partners.

BGAF spoke with both Consumers Energy and Nu-Wool, a participating manufacturer in the program to complete this case study.

BACKGROUND: CONSUMERS ENERGY REBATE PROGRAMS

Consumers Energy is a public utility that provides natural gas and electricity service to 6.7 million Michigan residents.¹ Like many utilities, they offer rebates for residential and commercial customers that invest in energy efficiency upgrades.² Incentives are split into residential, commercial, and industrial programs, with customers only eligible to apply for the type that matches their rate schedule.

Commercial incentives are typically paid to a property owner when they undertake either new construction, renovation, or retrofit project. The customer must submit an application including basic information about the property and project,

1 Consumers Energy. <https://www.consumersenergy.com/company/who-we-are/corporate-overview>.

2 Commercial Energy Efficiency Rebates. <https://www.consumersenergy.com/business/energy-efficiency/rebates-and-programs>.

specific information on each qualifying measure, and supporting documentation. In addition to industry-specific measures, the application lists the following categories for eligible measures:

- Lighting and lighting controls
- HVAC variable frequency drives
- Air compressors
- Miscellaneous electric and power management
- HVAC and heating equipment
- Domestic water heaters
- Building automation systems
- Advanced air distribution and energy recovery
- Tune-up and maintenance
- Refrigeration
- Kitchen and laundry
- Building envelope and insulation
- Pipe and ductwork insulation
- LEED certification

In most cases, total incentives may be up to 100% of the project's cost, up to \$2 million for electric customers and \$1 million for gas³—although custom incentives have a more complicated set of limits.

For residential customers, rebates cover specific measures taken and home energy assessments. These measures include:⁴

- Appliance and appliance recycling
- Heating and cooling
- Insulation and windows
- Lighting
- Water heating
- New homes built to Energy Star standards

An approved contractor must undertake most measures in order to qualify. Energy assessments involve a subsidized visit from a certified auditor who will undertake basic measures such as installing LED lightbulbs, low-flow showerheads, kitchen and bathroom aerators, and programmable thermostats. Following the assessment, the residential customer receives a customized set of recommendations for the next steps they can take.

CONSUMERS ENERGY MICHIGAN INVESTMENT BACKGROUND

In 2011, Consumers Energy became a founding partner of [Pure Michigan Business Connect](https://www.michiganbusiness.org/services/pure-michigan-business-connect/about-pmbc/) (PMBC). This program connects small and large businesses with Michigan suppliers in an effort to increase procurement spending within the state. The PMBC was started to revitalize the Michigan economy by redirecting local, national, and global supply chain spending to Michigan goods and services. Since its inception, PMBC has supported more than 40,000 Michigan jobs, facilitated more than \$8 billion in new contracts and connected businesses across 76 industries.⁵

Consumers' original commitment of \$250,000,000 spending with Michigan-based suppliers was quickly met, and they increased their goal to \$5 billion over 5 years in 2015.⁶ Their participation in the PMBC and their commitment to Michigan procurement was internally motivated, with former Consumers Energy President John Russell stating upon their initial announcement of support that "Our [Consumers Energy] future is tied to Michigan's future, and we are confident that this initiative will have a positive impact on Michigan."⁷

3 Consumers Energy Business Incentives Catalog, pg. 11 <https://www.consumersenergy.com/-/media/CE/Documents/Energy%20Efficiency/business/business-catalog.pdf>.

4 Consumers Energy Residential Rebates <https://www.consumersenergy.com/residential/save-money-and-energy/rebates>.

5 Pure Michigan Business Connect, <https://www.michiganbusiness.org/services/pure-michigan-business-connect/about-pmbc/>.

6 Michigan Economic Development Corporation. <https://www.michiganbusiness.org/services/pure-michigan-business-connect/energy/>.

7 Consumers Energy and Pure Michigan Business Connect. <https://www.youtube.com/watch?v=HoL4JXJtMcQ>.

This program was also funded by DTE Energy, one of Consumers’ competitors within the state. Both utilities began Made in Michigan incentive programs, although DTE Energy discontinued their version in 2018. As part of their commitment to buy within Michigan, Consumers Energy began researching products in 2012 that were at least 50% manufactured within the state. They discovered that some of the larger manufacturers in the area were making products outside of Michigan and found that it was difficult to determine where certain products were manufactured.⁸ After Consumers’ initial research, they began approaching manufacturers about participating in the program and completed plant tours throughout the state.

COMMERCIAL BUY MICHIGAN

Consumers Energy began a commercial pilot program in late 2012 focused on hot water boilers, lighting, and hot water heating for business owners, contractors, and trade allies.⁹ The commercial Buy Michigan program pays a 30% incentive bonus for any measures undertaken with Michigan-made products. The customer must submit an affidavit from the manufacturer certifying the eligibility of the product along with their rebate application.¹⁰ The commercial program also includes industrial customers but currently does not include multi-family.

Buy Michigan Participants

Material	Manufacturer
Building Envelope	<ul style="list-style-type: none"> • Applegate Insulation • Cellulose Material Solutions • Commercial Building and Retrofit, Inc. • Duro-Last Roofing • Harbor Foam Inc. • Nu-Wool • Raves Cooler Doors
Compressed Air Equipment	<ul style="list-style-type: none"> • Great Lakes Air Products
Custom Equipment	<ul style="list-style-type: none"> • JP Motors & Drives, Inc. • Snow Machines Incorporated
Heating, Water Heating, Cooling and Ventilation	<ul style="list-style-type: none"> • AbsoluteAire • Armstrong International • Bananza • Bradford White • Combustion Research Corporation • Detroit Radiant Products Company • Flex Air • Hamilton Engineering • Johnston Boiler Company • MEPCO • Michigan Filter Manufacturing, LLC • Rapid Engineering • Solaronics • TMI Climate Solutions • Unified Brands – Avtec • Weather-Rite
VFD’s, Fans and Pumps	<ul style="list-style-type: none"> • Munters Corporations • SkyBlade Fan Company

8 Information provided by Rob Busby, Program Manager, Consumers Energy Residential Rebates, 2018 and 2021.

9 Press & Guide, 2012. http://www.pressandguide.com/news/state-consumers-energy-launches-buy-michigan-initiative/article_73c31c88-0d58-5475-9221-5d8611613e73.html.

10 Consumers Energy Buy Michigan Rebate. <https://www.consumersenergy.com/business/energy-efficiency/special-programs/buy-michigan>.

Material	Manufacturer
Lighting	<ul style="list-style-type: none"> • Alupalight • Best Lights, Inc. • Ecologic • EverLast Lighting • Green Planet LED • LEIF • Lumecon • Lumerica • Mach 1 Lighting • Poultry Management Systems, Inc

RESIDENTIAL MADE IN MICHIGAN

The residential “Made in Michigan” (MIM) program pays a flat bonus for a handful of measures undertaken with Michigan-made products. Customers who take a whole-house efficiency approach by participating in the “Home Performance with Energy Star” assessment program have access to the greatest number of incentives.¹¹ However, the Made in Michigan bonus can also be applied to insulation and windows and HVAC projects. In all cases, the customer and their contractor must select one of the eight approved manufacturers and download their affidavit from the Consumers’ website to submit their application.

These programs have been a success for the utility, the manufacturers, and the associated contractors. On the residential side, since 2015, more than 60 contractors have participated in the program, and over \$400,000 in rebates have been issued to residential customers that bought MIM products.¹² **Overall, the MIM programs produced a more efficient and energy-friendly home with experienced and highly qualified contractors while simultaneously supporting locally-made products and the Michigan economy.**

“Made in Michigan” Rebates Available by Program:

Home Performance with Energy Star (HPwES)

- Roof (attic) Insulation - \$100
- Above-Grade Wall Insulation - \$50
- Knee Wall Insulation - \$50
- High-Efficiency Natural Gas Water Heater - \$50
- Window/Door Replacement - \$1 per square foot (up to \$250)

Insulation and Windows (INWIN)

- Roof (attic) Insulation - \$100
- Above-Grade Wall Insulation - \$50

The Home Performance with Energy Star program is the only whole-house approach available and must be performed with a [Building Performance Institute–certified](#) contractor. The contractor will complete a home energy assessment, including a blower door test, infrared camera test, duct pressure test, and combustion appliances test. The HPwES program is the only program that requires the contractor to be BPI-certified. The MIM application includes the cost of work for installing the MIM product, resulting in \$11.5 million in additional revenue for participating contractors since 2015. Although the contractor is primarily responsible for submitting the rebate application information, the rebate is paid to the customer, and the customer signature on the application certifies the work was completed to the customer’s satisfaction. Consumer’s Energy may also follow up with the customer by conducting a home inspection to verify the contractor’s work.

11 Consumers Energy Made in Michigan Rebate. <https://www.consumersenergytradeally.com/resources/made-in-michigan>.

12 Information provided by Rob Busby, Program Manager, Consumers Energy Residential Rebates, 2018 and 2021.

Made in Michigan Participants

Material	Manufacturer
Insulation	<ul style="list-style-type: none">• Applegate Insulation• Nu-Wool Insulation
Replacement Windows	<ul style="list-style-type: none">• D&W Windows• Polar Seal Windows• Sunrise Windows• Wallside Windows• WeatherGard Windows
Domestic Hot Water Heating	<ul style="list-style-type: none">• Bradford White

MANUFACTURER IMPACT

Nu-Wool, a green cellulose insulation manufacturer based in Michigan, started working on local programs with Consumers Energy in 2014. Manufacturers already have a significant energy burden, so in many ways, it is in their best interest to develop a relationship with a utility provider. For Jason Karwoski, Nu-Wool's sales representative for Michigan, Northern Ohio, and New York, the program has helped him win new accounts with a personal estimate of a \$100,000 increase in his sales.¹³

Mr. Karwoski had previously assisted in implementing some of Consumers Energy's energy efficiency programs and his utility and energy efficiency background encouraged Nu-Wool to participate. His previous experience helped him recognize and explain the potential impacts and positive outcomes for both Nu-Wool and his new customer base.

Not only are customers interested in additional incentives, but they are also happy to support the local Michigan economy. Overall, Americans are supportive of "Made in America" manufacturing and, in a recent survey, were 61.19% more likely to buy

a product if they knew it was manufactured in the United States.¹⁴

Jason increased his sales, engaged more closely with his utility, and delivered Michigan-made products to residential and commercial customers. His work in the new construction sections of the program resulted in more relationships and business with contractors engaged in residential projects.

CONCLUSION

The efficiency programs offered by Consumers Energy are relatively typical of programs offered by other large utilities, but the bonus incentives for in-state manufacturing are unique. Although Michigan has 1% electricity and .75% natural gas savings targets through 2021, these Energy Efficiency Resource Standards (EERS)¹⁵ alone are not enough to explain the Buy Michigan and Made in Michigan incentives.

Instead, this "buy local provision" was borne out of an economic downturn when two competing utilities decided they had to work together to "reinvent the state of Michigan."¹⁶ According to the PMBC, one job is created for each \$200,000 investment in local spending. **By leveraging in-state partnerships and industry, the MIM program demonstrates that utilities can meet their energy efficiency goals, support the local economy, create jobs, all while helping to grow the market for domestic products.**

13 Information provided by Jason Karowski, Sales Representative, Nu-Wool, 2018 and 2021.

14 Manufacturing Perception Reports, Thomas for Industry, 2018.

15 ACEEE EERS by State. <https://www.aceee.org/sites/default/files/state-eers-0519.pdf>.

16 Michigan Economic Development Corporation. <https://www.michiganbusiness.org/services/pure-michigan-business-connect/energy/>.

KEYS TO SUCCESS

The BlueGreen Alliance Foundation identified the following important components to conduct this type of program successfully.

- **Research, research, research!** The first step in beginning a buy local program is determining the manufacturing capacity within the state or region. The Buy Michigan and Made in Michigan programs highlighted here have specific offerings based on the research done by Consumers Energy before the pilot program was launched. Utilize resources like the BlueGreen Alliance Foundation's buildingclean.org database—which contains manufacturing facilities across the United States producing a wide range of building products from drywall to metal exterior panels—to find in-state building products that are healthier for residents and installers.
- **Begin with a pilot program and make sure it is flexible to change.** Consumers Energy started their pilot on the commercial side and expanded to residential after discovering what products worked. As the program expanded on the residential side, the windows rebates through the Insulation and Window program were so successful and in high demand that it started to affect the program's cost-effectiveness overall. Consumers Energy had to discontinue the windows rebates through that program because they could not support the high influx of rebates and additional costs. They still offer residential window rebates through the Home Performance with Energy Star program, where they can more effectively support the bonuses. This has been the only significant change since the program's inception, and it highlights the need to make sure these types of programs can be adapted as they progress as well as demonstrating consumer desire and demand for rebates from locally-manufactured products.
- **Make the program as easy for customers and manufacturers as possible.** To help the program run efficiently and effectively, ensure that the rebate application and information are accessible and easy to understand. On the Consumers Energy website, the residential manufacturer affidavits are available for quick and easy download. The residential customer is encouraged to work with their contractor while completing the energy-efficient upgrades, and the contractor has the primary responsibility of submitting the rebate application materials. With all the materials available through the website, the rebate application process for Made in Michigan products requires little extra effort on behalf of the customer or contractor.
- **Make sure to remind customers that they are participating in the local economy and thank them.** Following the rebate application completion through the Home Performance with Energy Star program, Consumers Energy sends the customer a thank you letter for participating in the Made in Michigan program. They remind the customer that they are helping to support manufacturing jobs and encourage them to consider buying Michigan products if they complete energy upgrades in the future.

The BlueGreen Alliance Foundation would like to thank Karsyn Kendrick for her work developing this case study.

FOR MORE INFORMATION:

[BlueGreen Alliance Foundation's Building Clean Product Database](#)
[Consumers Energy Made in Michigan program](#)

If you have questions about this case study, please contact Jeff Hurley at jhurley@bluegreenalliance.org.