



House Energy Committee
March 6, 2019



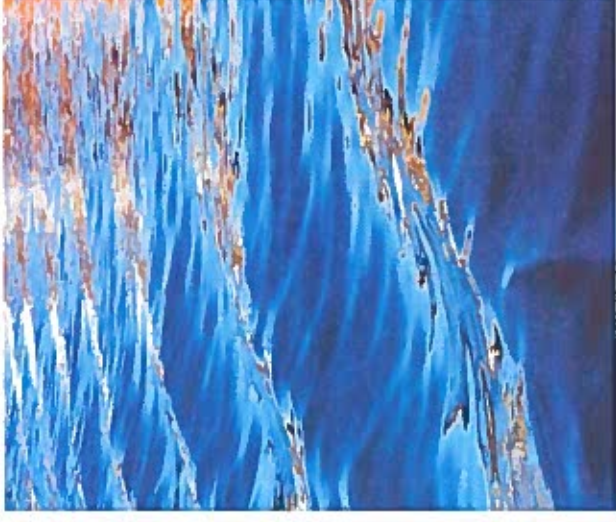
MICHIGAN
ENVIRONMENTAL
COUNCIL





Overview

- Introduction to Michigan Environmental Council
- Michigan energy profile
- Levelized cost of energy
- Rate setting
- Tools to make rates more affordable



Who is the Michigan Environmental Council?

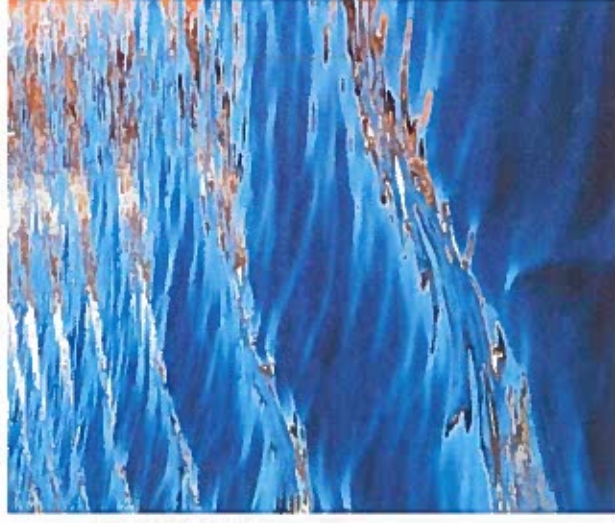
- Six leading environmental organizations came together in 1980 to create a new non-partisan non-profit charged to be the voice for Michigan's environment in the State Capitol.
- Today, we have a staff of 12, including remote staff in Detroit and Traverse City.
- Board is a mix of member organizations and at-large leaders.
- Striving to be a positive, forward-looking instrument for innovative policy solutions to statewide challenges.
- We have been actively engaged in utility rate cases on behalf of residential ratepayers for the last ten years.



Our Member Groups

- ACCESS
- AFFEW
- Adrian Dominican Sisters
- Alliance for the Great Lakes
- Alliance to Halt Fermi 3
- Anglers of the Au Sable
- Au Sable River Watershed Committee
- Citizens for Alternatives to Chemical Contamination
- Citizens Climate Lobby
- Clean Water Fund
- CLEARCorps / Detroit
- Clinton River Watershed Council
- Detroit Audubon
- Detroit RiverFront Conservancy
- East Michigan Environmental Action Council
- Ecology Center
- Environment Michigan
- Environmentally Concerned Citizens of South Central Michigan
- Friends of the Detroit River
- Friends of the Jordan River Watershed
- Friends of the Rouge
- Grand Traverse Band of Ottawa and Chippewa Indians
- Great Lakes Mediation
- Groundwork Center for Resilient Communities
- Huron River Watershed Council
- Izaak Walton League -- Michigan IKES
- Kalamazoo Environmental Council
- Kalamazoo River Cleanup Coalition
- Kalamazoo River Watershed Council
- League of Michigan Bicyclists
- League of Women Voters of Michigan
- Legacy Land Conservancy
- Liaison for Inter-Neighborhood Cooperation
- Lone Tree Council
- Michigan Association of Railroad Passengers
- Michigan Audubon
- Michigan Botanical Club
- Michigan Citizens Against Toxic Substances
- Michigan Energy Options
- Michigan Interfaith Power and Light
- Michigan Land Trustees
- Michigan League of Conservation Voters Education Fund
- Michigan Nurses Association
- Michigan Organic Food and Farm Alliance
- Michigan Recycling Coalition
- Michigan Trails and Greenways Alliance
- Michigan Trout Unlimited
- Michigan Waterfront Alliance
- Mid-Michigan Environmental Action Council
- Midwest Energy Efficiency Alliance
- Muskegon Save Our Shoreline
- NAACP – Michigan State Conference
- Northern Michigan Environmental Action Council
- Preserve the Dunes
- Scenic Michigan
- Sisters, Servants of the Immaculate Heart of Mary
- Six Rivers Regional Land Conservancy
- Southeast Michigan Land Conservancy
- Stewardship Network
- Tip of the Mitt Watershed Council
- Transportation Riders United
- Upper Peninsula Environmental Coalition
- Voices for Earth Justice
- West Michigan Environmental Action Council

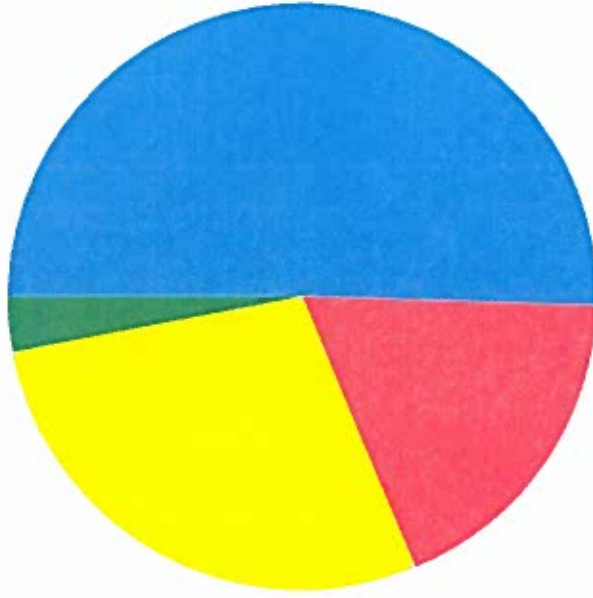
Road to Cleaner, More Affordable Energy



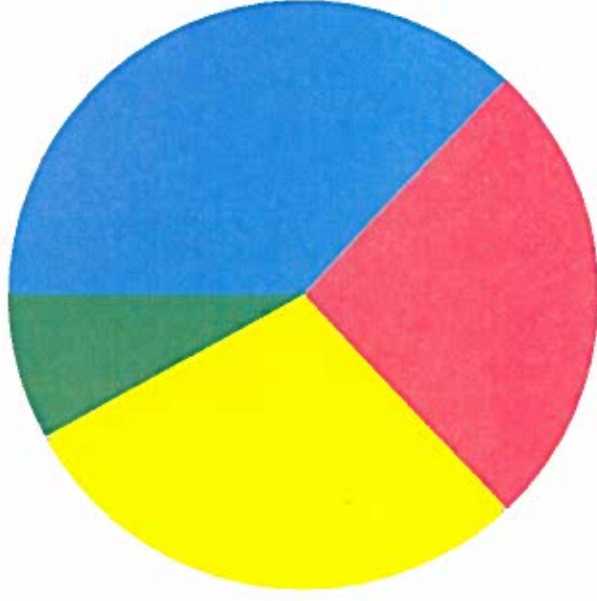
Michigan's Changing Energy Portfolio

Net Electricity Generation by Source

2012



2017

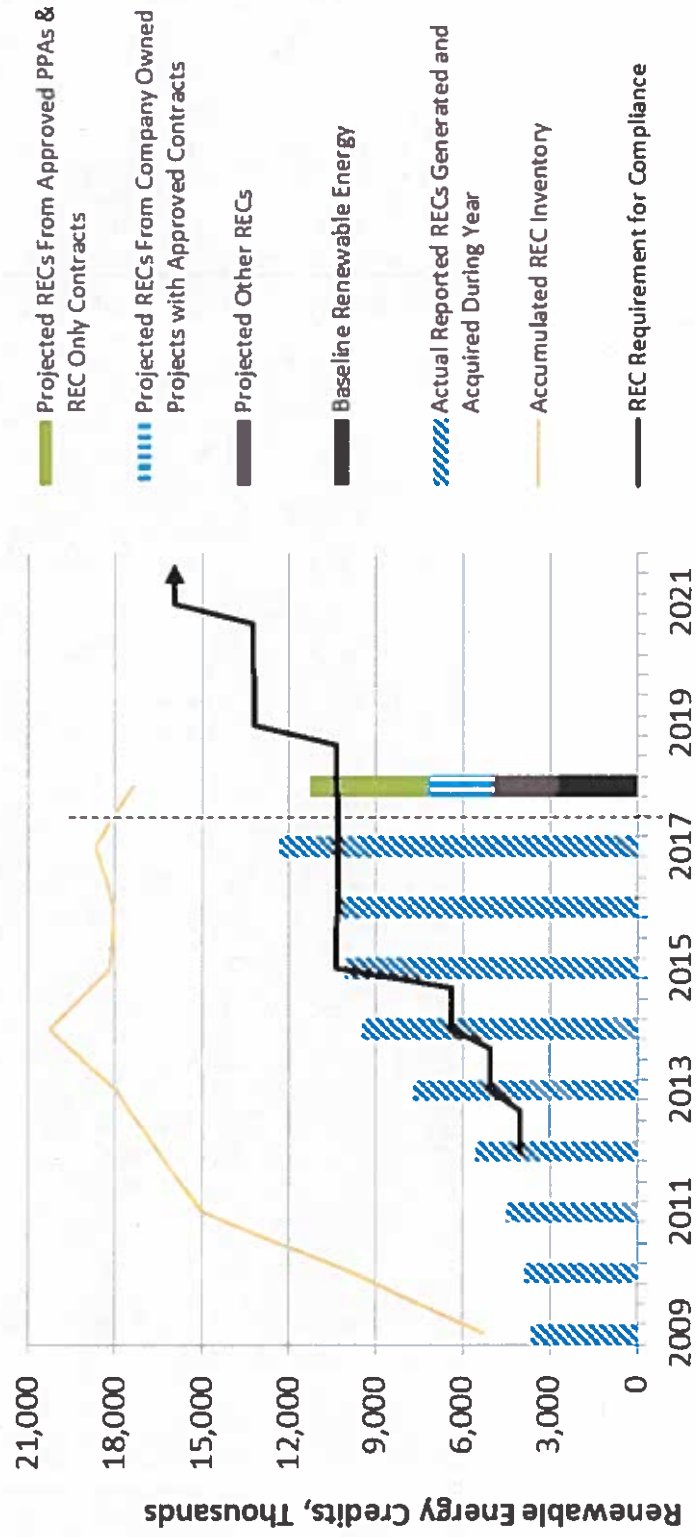


- Coal
- Natural Gas
- Nuclear
- Renewable

Source: Energy Information Administration, State Energy Profile



Cumulative Commission Approved Renewable Energy Capacity by Commercial Operation Date

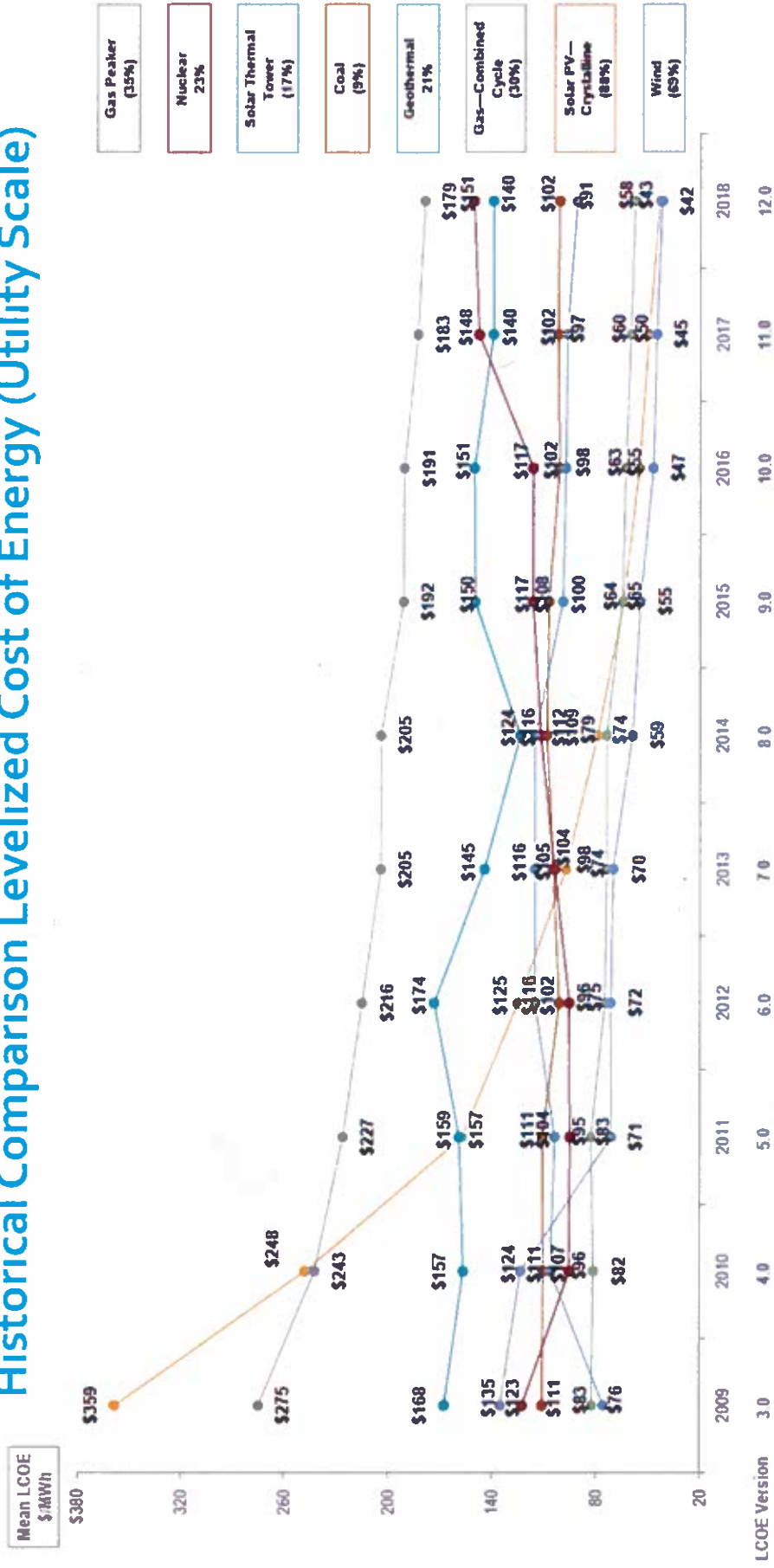


Source: Report on the Implementation and Cost-Effectiveness of the P.A. 295 Renewable Energy Standard, February 15, 2019

Levelized Cost of Energy



Historical Comparison Levelized Cost of Energy (Utility Scale)



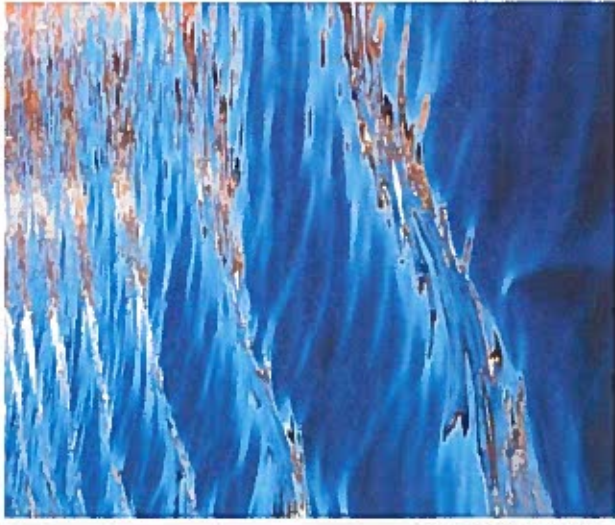
Source: Lazard Levelized Cost of Energy Analysis, Version 12.0

Levelized Cost of Energy with Efficiency



*Notes: Energy efficiency program portfolio data from Molina 2014; All other data from Lazard 2015. High-end range of coal includes 90% carbon capture and compression.

Source: American Council for an Energy Efficiency Economy (2016), Molina (2014), Lazard (2015)



Rate Setting



Rate Setting

Energy Costs

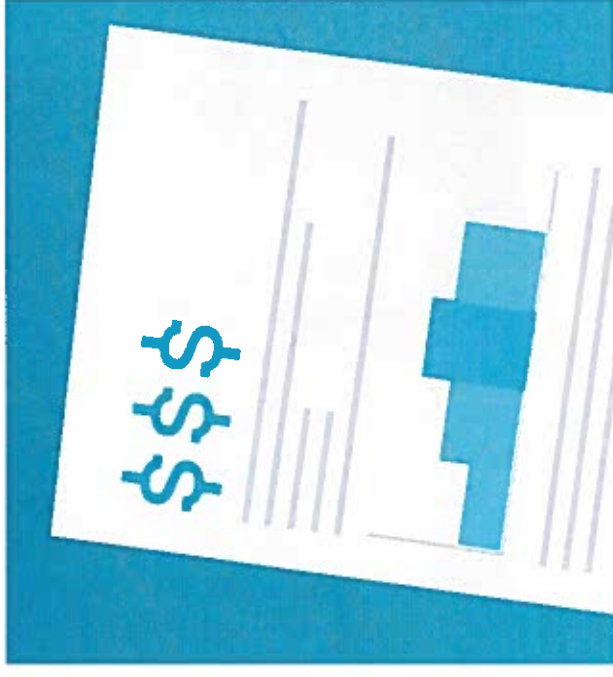
- Capital costs and staffing/admin
- Return on investment on capital
- Power supply costs (power purchases, fuel, etc.)

Costs Divided Between Customer Classes

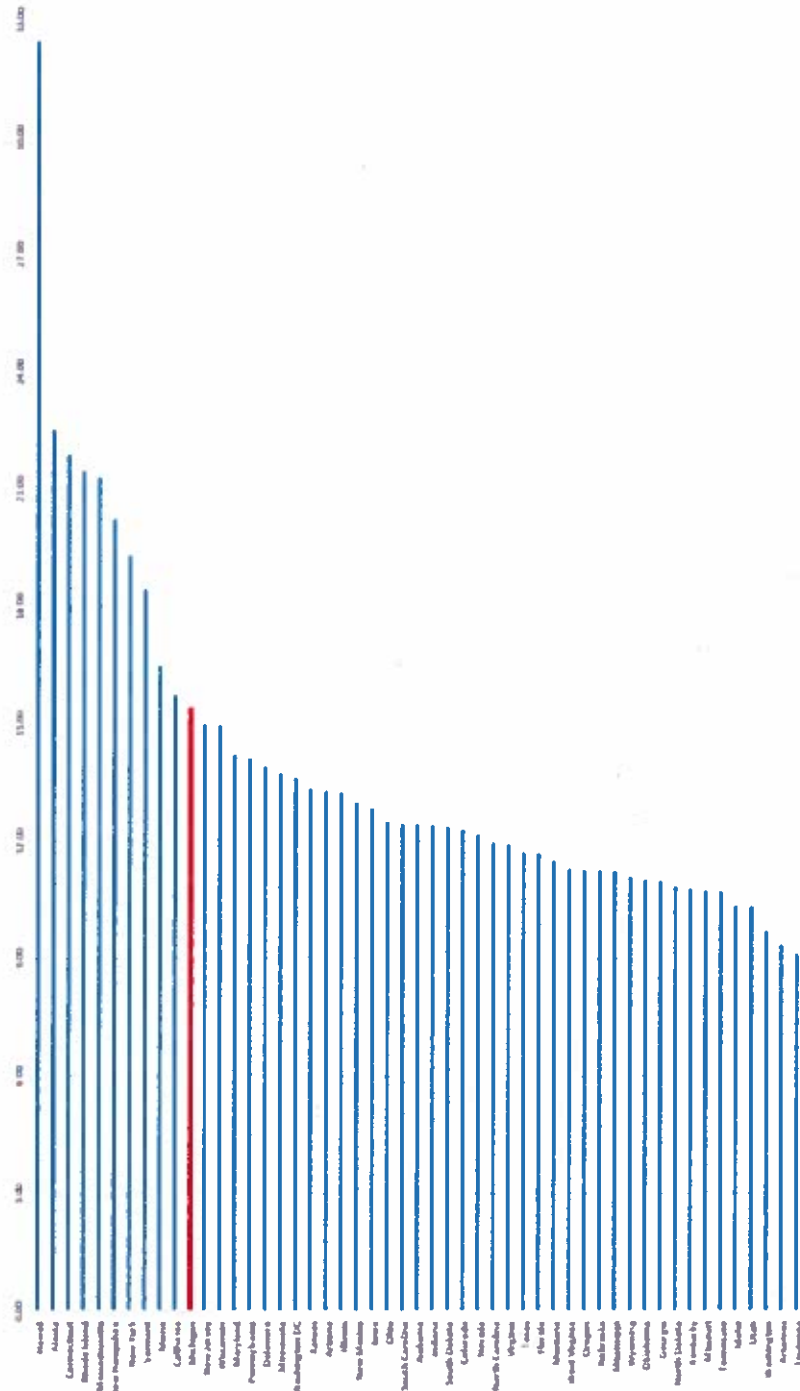
- MI Statute – MPSC establishes rates equal to cost of providing service to each customer class
- Based on customer class usage patterns
- Cost of service study breaks costs down into production, transmission, distribution and classifies costs by customer and allocates costs to customer classes

Rate Design

- Recovery of costs through rates and charge



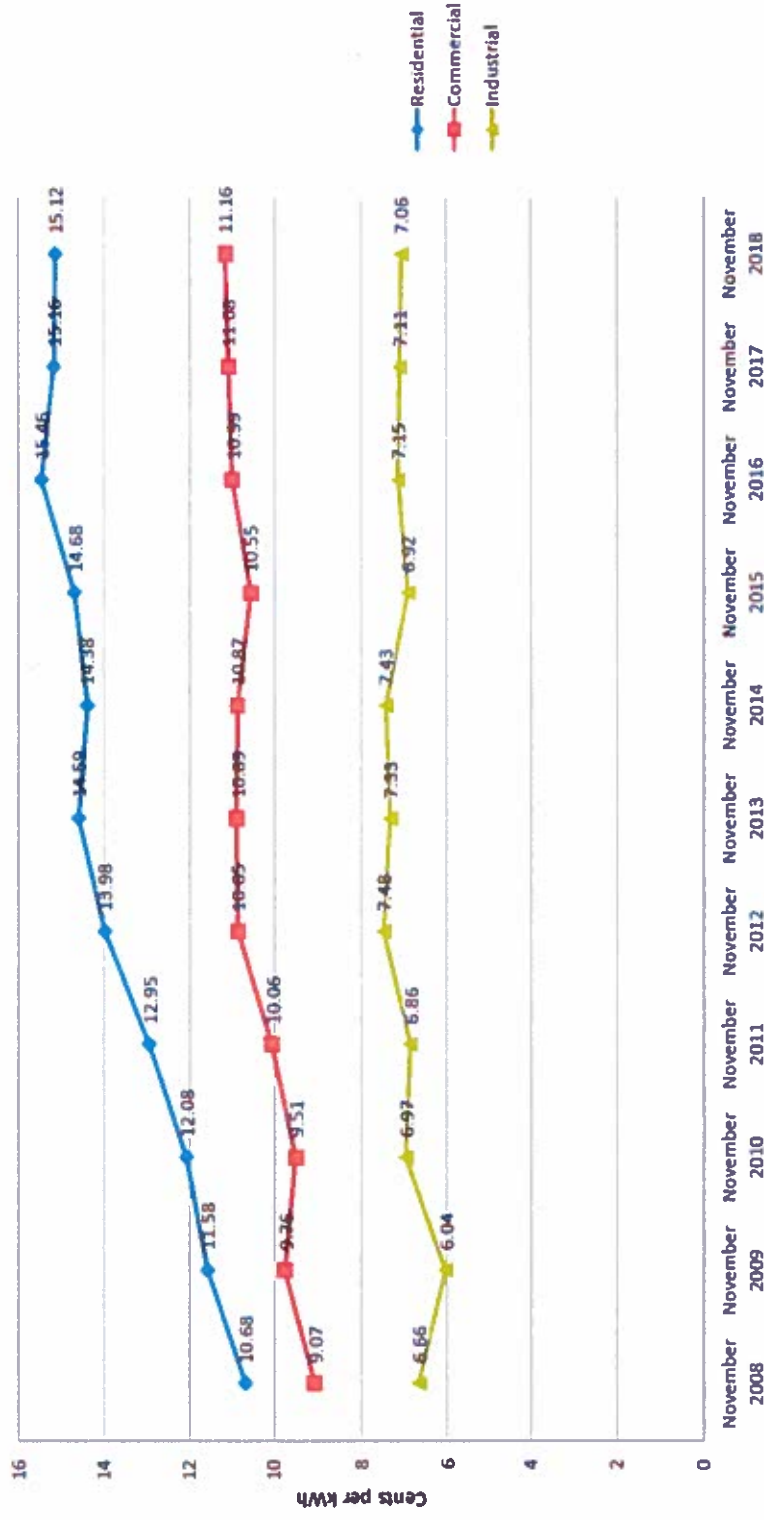
Average Retail Price of Electricity to Residential Sector



Source: Average Retail Price of Electricity Residential Sector Q1 2018 at https://www.eia.gov/finance/tables/elec/retail/elec_rts.html

U.S. EIA, BY 88.87

Michigan Average Price of Electricity to Customer Class

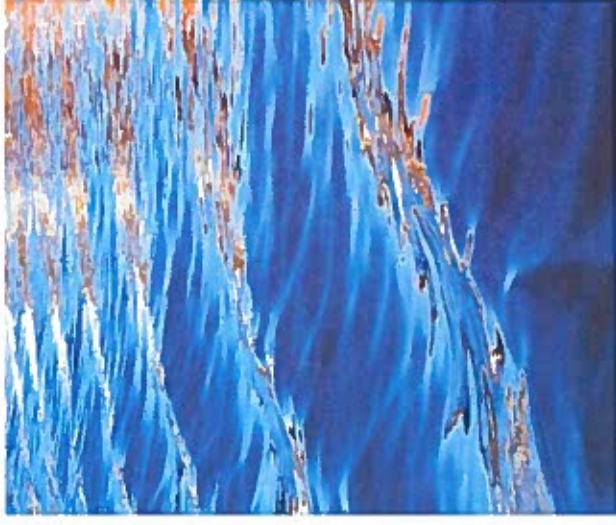


Source: https://www.eia.gov/electricity/monthly/epm_table_grapher.php?t=epmt_5_06_a

Declining Electricity Sales, Increasing Revenue

- From 2007 to 2017, Michigan utility electric sales to Residential, Commercial, and Industrial users fell 7%, 4% and 10% respectively
- Overall, sales declined 7% in those 10 years
- Utility revenue from electric sales increased \$2.2 billion over these 10 years:
 - Residential ratepayers were saddled with an increase of \$1.5 billion (67%)
 - Commercial ratepayers \$.7 billion (33%)
 - There was no increase in revenues from Industrial ratepayers

Tools to Make Rates More Affordable

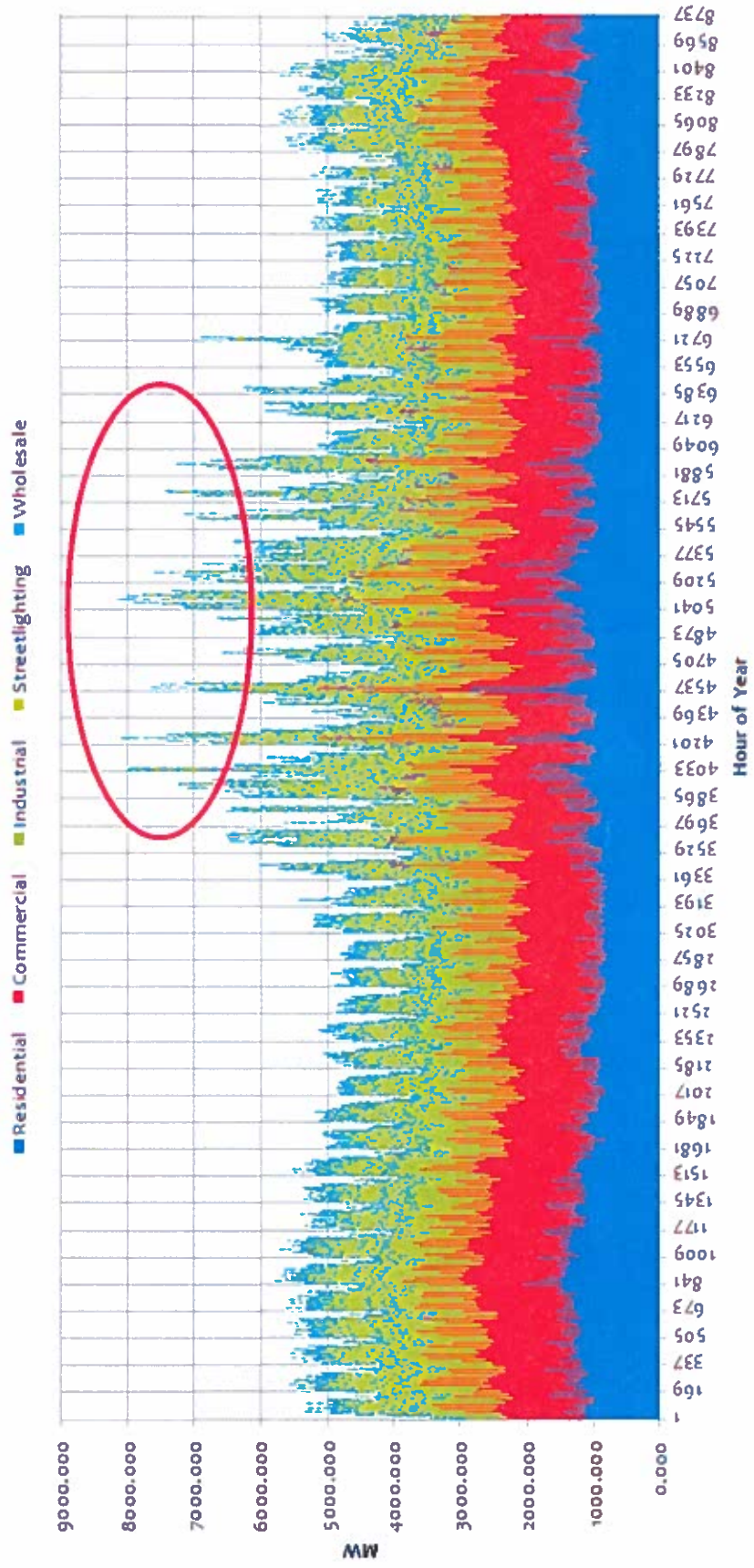


Reigning in Costs

- Ramp up energy efficiency
- Increase use of demand response
- Reduce line-loss
- Maximize use of low cost, low risk renewables
- Close uneconomic coal units
- Explore performance-based ratemaking

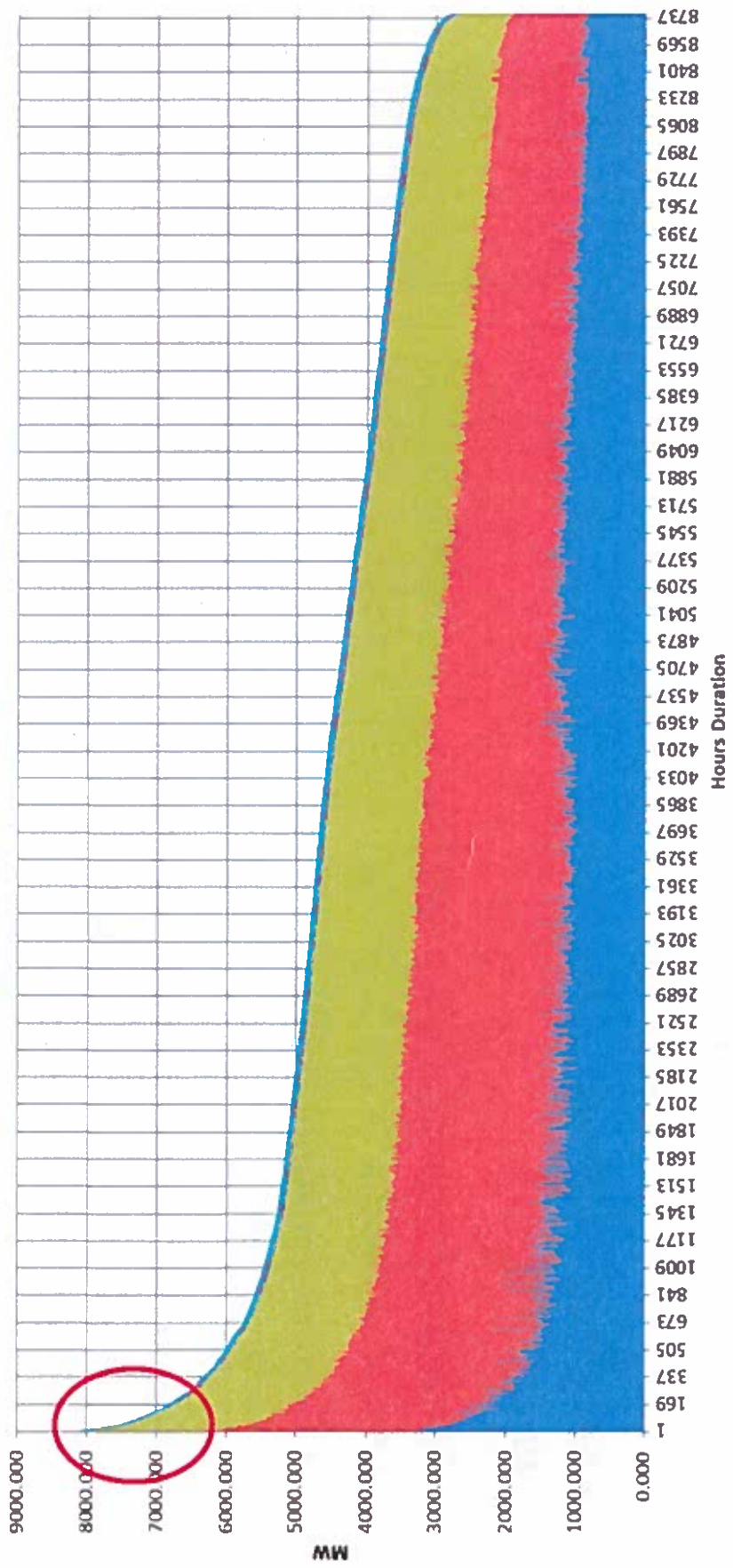


Electricity Load by Class – Consumers Energy



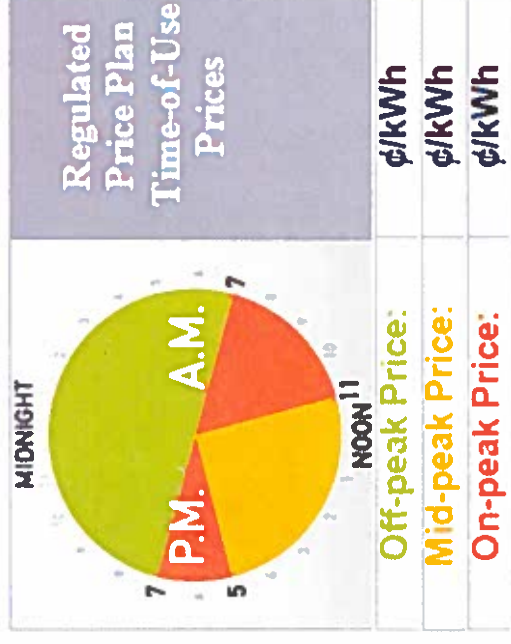
Electricity Load Duration by Class - Consumers Energy

■ Residential
 ■ Commercial
 ■ Industrial
 ■ Streetlighting
 ■ Wholesale



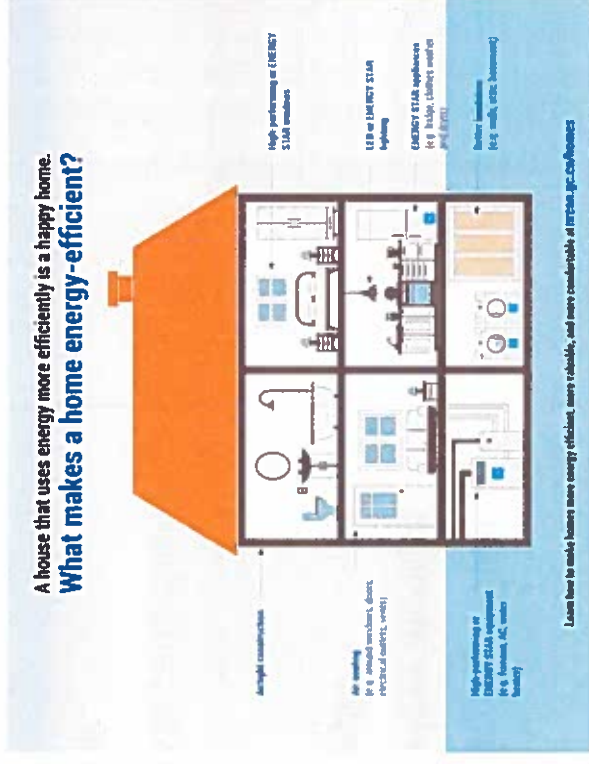
Reduce Peak Demand

- Advanced meters allow for *time of use pricing*
- Time of use pricing better matches cost of service
 - Electricity does not cost the same all the time; rates should reflect that
- Expanding time of use to all customer classes could reduce utility costs by over \$200 million a year



Energy Waste Reduction

- Since 2009, Michigan's utility providers have helped customers save almost \$6 billion in electric costs and close to \$2 billion in natural gas costs
- Every \$1 spent on EWR programs equals \$4.29 in savings
- DTE and Consumers have been approved to increase EWR to 1.5% of electricity sales
- Highest performing states exceeding 2% annually; Consumers proposed ramping up to 2% in the IRP



Energy Waste Reduction – Low-Income

- Michigan low-income customers on average spend 15% of their income on energy (heating and electric)
- 34% of DTE and 35% of Consumers customers are low-income qualified (200% of FPL)
- In 2016 only just over 10% of EWR spending went to low-income
- In Detroit alone, deferral rate for weatherization is 75%

Solutions

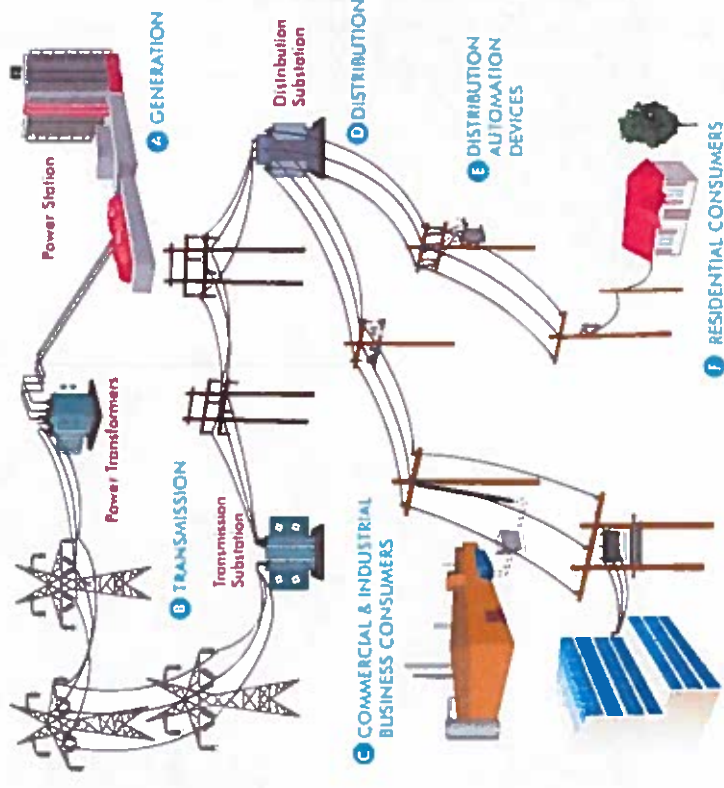
- Achieve 2% energy waste reduction and 1% gas waste reduction
- Explore a carve out in EWR programs for low-income
- On-bill financing
- Health and safety fund to reduce deferrals, improve health and comfort of homes overall



Distribution Costs

Initial DTE and Consumers Distribution Plans have a combined \$7.2 billion in spending planned over the next 5 years

- Reduce line loss – currently in the 7% to 8% range in Michigan, which is above national average
- Maximize non-wires alternatives (energy efficiency, demand response, distributed generation, dynamic rates)
- Give customer access to their data





**MICHIGAN
ENVIRONMENTAL
COUNCIL**

We lead Michigan's environmental movement to achieve
positive change through public policy solutions

Questions?

Charlotte Jameson, Energy Policy & Legislative Affairs Director
Email: charlotte@environmentalcouncil.org
Phone: 517-487-9539

Thank You!



Michigan Environmental Council
602 W. Ionia Street | Lansing, MI 48864
www.environmentalcouncil.org
[Facebook.com/MichiganEnvironmentalCouncil](https://www.facebook.com/MichiganEnvironmentalCouncil)
[Twitter.com/MichEnvCouncil](https://twitter.com/MichEnvCouncil)



