

Testimony of
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Michigan Electric Cooperative Association (MECA),
Lansing, Michigan
For
The Michigan Electric Cooperative Association
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Lansing, Michigan

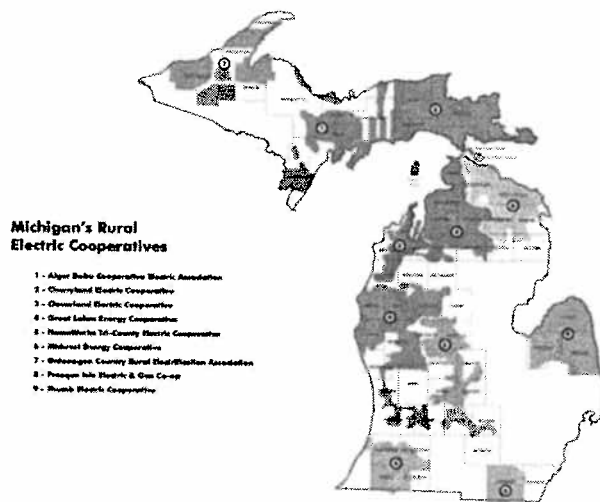
Good morning, my name is Art Thayer. I am the Director of Energy Efficiency Programs for the Michigan Electric Cooperative Association in Lansing, Michigan. I am testifying today on behalf of the 11 electric cooperatives represented by the Michigan Electric Cooperative Association. Michigan's Electric Cooperatives thank Chairman Nesbitt for the invitation to testify on Michigan's current Energy Optimization statutes and plans contained in HB 4297 to eliminate the current goals contained in the legislation.

The Michigan Electric Cooperative Association (MECA) is the statewide trade association that provides services to its 11 cooperative members in the areas of Safety Training, Communications (including publishing the Michigan Country Lines Magazine), Legal, Legislative, Regulatory, Administrative services, and Energy Optimization. Collectively MECA's member cooperatives serve more than 300,000 homes, farms and businesses in 59 of Michigan's 83 counties.¹

My comments this morning will provide some background on how Michigan's electric cooperatives are: (1) complying with the current energy optimization statute; (2)

How the energy landscape in Michigan is changing, primarily due to EPA's rule 111(d), and (3) lastly, I will comment on where I believe Michigan's electric cooperatives are headed with Energy Optimization, particularly if the state's mandatory goals are eliminated.

Michigan's rural electric cooperatives face unique challenges as they cover nearly 60% of Michigan's geographic area yet deliver less than 5% of Michigan's energy. By the end of 2015, the MECA EO Collaborative (consisting of 8 cooperatives and 4 municipals) will have invested more than \$30 million in implementation, evaluation, and administrative costs to achieve the eight-year energy reductions required under the current statute. The MECA EO Collaborative has achieved efficiencies valued at nearly \$10 million dollars through coordinating and centralizing program planning, implementation, administration, evaluation, and promotional expenses through 2015 while exceeding the EO kWh goals.



MECA supports the provision of HB 4297 that eliminates the statutory goals presently contained in our EO programs. MECA believes that on a go forward basis, the State mandated goals and spending limits make little sense. Each of our MECA members are faced with different challenges and each would utilize energy efficiency programs to a different degree. We expect that all of our cooperative members would utilize energy efficiency programs, however some would utilize these programs to a greater degree than current law allows, while others may need to rely on these programs less – each based on their own unique set of

circumstances. In the State's report "Readying Michigan to Make Good Energy Decisions: Energy Efficiency" released November 26, 2013, the report stated that "The available energy efficiency potential may vary between individual utilities in Michigan, particularly in the territories of rural cooperatives and Michigan's Upper Peninsula."

Secondly, MECA sees EPA's draft rule 111(d) as a game changer in Michigan's energy landscape. Under EPA's draft rules, building block 4 allows for greenhouse gas reductions to be achieved through energy efficiency programs. If State EO mandates were to remain in effect, there is a risk that compliance standards for EPA rule 111(d) could be much different than those compliance standards required under Michigan Law resulting in cumbersome and expensive tracking and reporting of energy efficiency and greenhouse gas achievements.

Finally, I believe most, if not all, of Michigan's electric cooperatives will continue on with coordinated energy optimization programs even if the current statute is eliminated. As we move forward, all electric suppliers will need a suite of resources to meet the very stringent GHG reduction levels being proposed by the U.S. Environmental Protection Agency (EPA). I believe that our member cooperatives, in conjunction with their wholesale power suppliers, will need robust Energy Optimization programs as a part of their "toolbox" if they are to meet the proposed goals outlined by the EPA.

Thanks again Chairman and members of this committee for the opportunity to speak in front of you today.

At this point I am happy to take any questions.

[1] MECA's membership consists of the following: Alger Delta Cooperative Electric Association, Cherryland Electric Cooperative, Cloverland Electric Cooperative, Great Lakes Energy Cooperative, HomeWorks Tri-County Electric Cooperative, Midwest Energy Cooperative, The Ontonagon County Rural Electrification Association, Presque Isle Electric & Gas Co-op, Thumb Electric Cooperative, Wolverine Power Marketing Cooperative, and Wolverine Power Supply Cooperative, Inc. Michigan's electric cooperatives maintain over 36,000 miles of line to serve approximately 310,000 meters. This results in an average of approximately eight customers per mile of line. This compares to approximately 35 customers per mile for the average investor-owned utility and over 90 customers per mile for some municipal systems. As for annual kWh sales per mile of line, the cooperatives average 60,500; the IOUs 725,000; and municipals top the scale at 1,950,000 kWh per mile per year. Approximately 95% of cooperative customers are residential. Several cooperatives serve a considerable number of seasonal homes and cottages where annual usage is low, but maintenance and the annual cost to serve may be higher.