

Comments for Doug Luciani, Chief Executive Officer, TraverseCONNECT

To: House Energy Policy Committee Hearing on HB 4303

Wednesday, June 3, 2015

Good morning Chairman Nesbitt and members of the House Energy Committee. It is an honor to be here to speak in support of House Bill 4303 and to thank you for your commitment to a solid energy policy for Michigan.

My name is Doug Luciani and I am CEO of TraverseCONNECT, the parent company of the Traverse City Area Chamber of Commerce and Venture North, the private economic development organization serving northwest Lower Michigan. TraverseCONNECT is part of the Northern Michigan Chamber Alliance, so is in touch with more than 7000 member businesses from Cadillac to Alpena to Marquette and 9 chambers in between.

The region served by the Chamber Alliance may best exemplify the case for the expansion of the state's natural gas infrastructure to address the needs of Michigan's unserved and underserved communities. It has robust entrepreneurial activity occurring across a vast, rural area where people have traditionally valued place over profit, but where the gap between lifestyle and pay is closing, and residents increasingly expect urban amenities in their rural communities.

The "next" or "last" mile is among the major impediments to our entrepreneurs, be it telecommunications, broadband internet, rail and highway access, or reliable access to energy. Most of the others have been or are being dealt with effectively. Even in the energy arena, the only laggard has been access to natural gas and the certainty it provides as a clean, efficient source of energy; and where a regulated price model allows for budget certainty.

For northern Michigan, our primary interest in HB 4303 is the affordability and economic benefits of natural gas expansion.

Today, while all customers on the system benefit from natural gas expansion and system investment, new customers are required to pay for all of the changes. Although we are one Michigan, not all of Michigan is the same and this approach is devastating to northern Michigan businesses and residents. Extending natural gas infrastructure to include underserved customers expands the customer base, reduces energy costs, and benefits all natural gas customers by spreading the fixed costs over a larger customer base. New customers support the maintenance of existing infrastructure in future years.

Attaching users to existing natural gas pipelines in northern Michigan is usually more difficult than in metropolitan areas because getting the main pipeline to the customers requires extensions of greater distance, over often difficult terrain with relatively few customers at the end to pay the bill. Hence, there is no pipe to which to attach a home or business, which is a burden.

For instance, our region would be greatly served in Benzie County if the natural gas pipeline could be extended from its terminus in Benzonia to the largest employer 25 miles south. While it would be good for the employer, it would be even better for those desperate for affordable housing close to their work. That is a low-income part of the region and adequate housing is barely affordable, and access to natural gas would have perhaps provided a tipping point. Our economic development arm attempted to find a way to extend the main pipeline those 25 miles. Under the current rules and regulations, it simply could not happen. This story is played out over and over again in our region – in the wealthiest counties and the poorest.

The irony, of course, is that we are situated on top of some of the world's largest reserves of natural gas, but we can't get it to our residents and businesses. We have witnessed first-hand the economic ruin and near-panic caused in areas not served by natural gas by unusually difficult winters the last two years. Unregulated and uncertain supplies of alternatives to natural gas created opportunities for price gouging and favoritism.

This issue was brought up recently at a Board of Directors meeting of the Traverse Area Association of Realtors. The response was immediate and overwhelming. Lack of access to natural gas is not only a hindrance to property values, but it has become a safety issue and a market volatility that would have seemed normal 100 years ago, but is out of place in our modern society.

HB 4303 addresses system enhancements and bridges costs to benefit all Michigan citizens. It will still require new customers to pay for the cost of connecting their home or business to an existing distribution main. This legislation succeeds, however, in making it more economical by sharing the portion of the cost of system enhancements with all customers. Let's finally get the system built!

Thank you for allowing me to appear before you today to discuss Michigan's energy future and for considering the important role of access to natural gas for northern Michigan's families and businesses.