

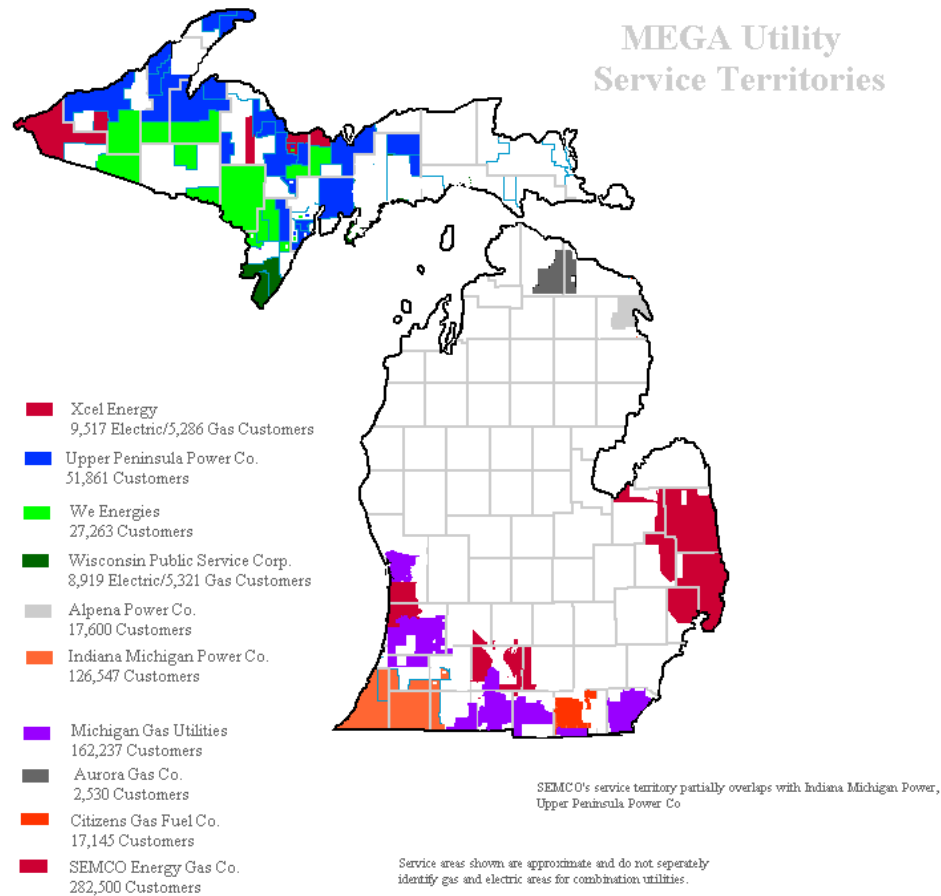


**MICHIGAN ELECTRIC  
AND GAS ASSOCIATION**

*U.P. Energy Summit  
October 28, 2014*

*James A. Ault  
President  
Michigan Electric & Gas Association*

# MEGA Utility Service Territories



# MEGA Board of Directors

		
 <p><b>AEP INDIANA MICHIGAN POWER</b> <i>A unit of American Electric Power</i></p>	 <p><b>MICHIGAN GAS UTILITIES</b> <i>A WPS Resources Company</i></p>	 <p><b>SEMCOENERGY</b> GAS COMPANY</p>
 <p><b>UPPCO</b> Upper Peninsula Power Company</p>	 	
		

# Recent Developments – Members

UPPCO sold to Balfour Beatty Infrastructure Partners by Integrys Energy Group (completed August, 2014)

Wisconsin Energy Corp to acquire Integrys Energy Group (announced June, 2014 – pending)

- ▶ Affects We Energies, WPS, MGU and ATC (in MI)
- ▶ Electric and/or gas service in MN, IL, WI, MI
- ▶ MPSC Case No. U-17682

## 2013 YEAR END MPSC ELECTRIC UTILITY DATA

<u>Utility</u>	<u>Customers (MI)</u>	<u>Revenue (\$)</u>	<u>Sales (MWh or Mcf)</u>	<u>Residential Rate (per kWh)</u>	<u>Commercial Rate</u>	<u>Industrial Rate</u>
Alpena Power Co	17,634	35,223,274	330,988	13.97	13.33	7.48
Consumers Energy	1,790,148	3,967,355,796	32,556,015	15.24	16.13	10.75
DTE Electric	2,134,161	4,909,920,829	42,514,994	14.61	11.82	8.41
Indiana Michigan	127,908	260,680,567	2,847,769	10.89	9.79	7.31
NSP-W (Xcel)	9,077	13,607,125	139,983	12.83	12.03	10.25
UPPco	51,950	110,487,644	842,437	22.76	17.01	10.61
We Energies	27,561	140,590,433	1,683,135	14.98	13.08	8.75
WPS	8,960	20,802,470	284,172	10.43	9.19	7.84
Co-ops (all 9)	320,516	497,434,027	4,054,685	13.48	12.43	9.77
Total	4,487,915	9,956,102,165	85,254,178	14.69	13.01	9.00
EN Central US Average						
US East North Central				13.08	10.02	7.03
US Average				13.05	11.16	7.49

- Rates for residential (R), commercial (C) and industrial (I) can vary within each class – these are examples

### Electricity Sales – MI (MWh)

	<b>1995 (reference)</b>	<b>2007 (pre- recession)</b>	<b>2009 (recession)</b>	<b>2013 (current)</b>
<b>DTE</b>	44,906,064	49,214,506	43,126,702	42,514,994
<b>CONSUMERS</b>	33,266,233	33,039,318	33,114,933	32,556,015
<b>WEPCo</b>	2,937,948	2,845,921	2,243,877	1,683,135
<b>UPPCo</b>	706,722	861,405	836,151	842,437
<b>NSP</b>	147,900	139,418	134,916	139,983
<b>WPS</b>	240,171	293,298	225,700	284,172

# 2013 –2014 Legislative Session – Laws Adopted

**2013 PA 95:** Creates new Low–Income Energy Assistance Fund (MCL 460.9t)

- ▶ Add \$50 million to federal LIHEAP funds
- ▶ Electric utility surcharges (\$0.97/meter in 2014)
- ▶ Opt–out option with R shutoff moratorium from Nov. 1 – April 15
- ▶ Works with 2012 PA 615 Michigan Energy Assistance Act (to 9–30–16)
- ▶ MPSC grants LIEAF funds to various entities for distributing mostly in “crisis season” of Nov. 1 – May 31

**2013 PA 173, 174:** Miss Dig Underground Facility Damage Prevention and Safety Act (MCL 460.721 et seq)

- ▶ Limited removal of municipal immunity via Act 173 (MCL 691.1407) for enforcement

**2013 PA 163:** eliminate utility uncollectible allowance recovery fund and refund \$640,000 (not used for MDEQ Clean Air Fund)

# 2013–2014 Legislative Session – Laws Adopted

## 2014 PA 169: Special MPSC Cost Allocation and Rate Design Proceedings

- ▶ Amends MCL 460.11 on cost-based rates
- ▶ Requires single issue MPSC cases for electric utilities serving 1 million or more customers in 60 days (Consumers Energy and DTE Electric)
- ▶ Electric utility Indiana Michigan has 180 days to apply in a similar case; others have option to file over 2 years
- ▶ MPSC Cases are U-17689 (DTE), 17688 (CE) and 17698 (I&M)
- ▶ Cost shift from I class to others but consistent with cost of service
- ▶ Origin is effort to extend special rate contract of Consumers Energy with Hemlock Semiconductor; also rate design issue addressed in MPSC/MEDC Energy Intensive Industrial Rate Working Group

2014 PA 170: Allow Utility Consumer Representation Fund monies to support customer intervention in Act 169 single issue rate design cases



## 2013–2014 Legislative Session – Significant Other Measures Debated in Committee

- ▶ Regulation of advanced meters
- ▶ Removal/modification of retail electric choice cap (HB 5184)
- ▶ Municipal RE and EE programs with “on-bill” financing (HB 5397)
- ▶ Natural Gas infrastructure expansion and pipeline safety (HB 5555, 5557, 5564, 5565)
- ▶ Community based electricity – net metering cap (HB 5673), community RE gardens (HB 5674), microgrids (HB 5675), payment for excess customer generation (HB 5676)

# Significant 2014 Energy Working Groups

## Technical Workgroup for Carbon Emission Guidelines under Section 111(d)

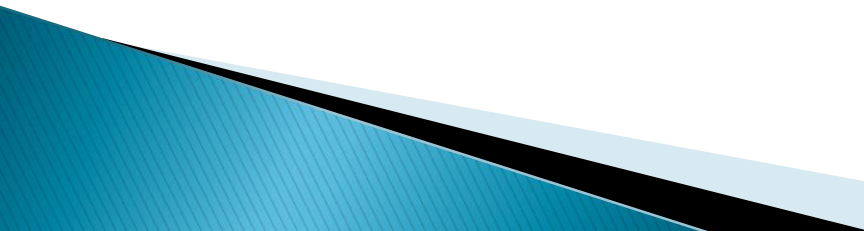
- ▶ Led by MDEQ
- ▶ Develop state comments to EPA on proposed Clean Power Plan
- ▶ Initial comment deadline moved to December 1, 2014
- ▶ Rule finalized in 2015; state plans due 2–3 years
- ▶ Proposed 30% reduction in CO<sub>2</sub> emissions by 2030
- ▶ Purpose is to address climate change caused by power sector greenhouse gases

## Energy Intensive Industrial Rates Workgroup

- ▶ Final report Aug. 12, 2014 (MEDC – Steve Bakkal, director of State Energy Office)
- ▶ Help energy intensive industries locate/expand in MI
- ▶ Cost allocation concept: 1 customer does not drive peak demand

# Significant 2014 Energy Working Groups

## Energy Efficiency and Renewable Energy Workgroup

- ▶ Led by Senators Nofs, Hopgood and Proos
  - ▶ Diverse group of participants
  - ▶ To develop EO and RE policy for the period after 2008 Act 295 standards “plateau” in 2015 (10% RE by 2015; 1% electric and 0.75% gas annual EO target)
  - ▶ Draft legislation anticipated
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# Energy Optimization Annual Surcharge Revenue – 2013

Alpena Power, electric	\$519,207
Indiana Michigan Power, electric	\$4,611,102
Northern States Power, electric	\$255,372
UPPCo, electric	\$2,053,607
We Energies, electric	\$988,197
WPS, electric	\$408,016
MGU, gas	\$3,358,718
SEMCo, gas	\$6,295,017
WPS, gas	\$97,001
Northern States Power:	\$109,606

Efficiency United Payments – 2% of annual revenue

Source: Appendix E-1 to MPSC 2013 EO Report

[I&M and SEMCo are now running individual programs]

# Energy Workforce Development

- ▶ Gov. Rick Snyder has proclaimed Oct. 13–19 as Careers in Energy Week in Michigan as a way to raise public awareness of careers in the energy field and recruit talent for the energy workforce of the future.

<http://www.michiganbusiness.org/press-releases/snyder-proclaims-oct--13-19-as-careers-in-energy-week/>

- ▶ Michigan Energy Workforce Development Consortium

- ▶ Workforce Development Agency

[www.michigan.gov/wda](http://www.michigan.gov/wda)

# English Common Law Analogy

“Doing suit to the mill”: manor lord erects a mill to grind corn on condition that inhabitants bring their corn to that mill

Obligation enforced by a writ of *secta ad molendinum* or *secta molendini* (suit to mill)

Investment to serve the inhabitants and supported by requirement to utilize the mill (monopoly)

Today: removal of patronage can jeopardize viability of generating assets

# System Planning – Who’s Looking Out for You?

- ▶ State public service commissions (MPSC)
  - ▶ State legislature
  - ▶ US Congress
  - ▶ Federal Energy Regulatory Commission (FERC)
  - ▶ US Environmental Protection Agency (EPA)
  - ▶ State environmental agencies (MDEQ)
  - ▶ Regional Transmission Operators (RTOs – MISO)
  - ▶ N. American Electric Reliability Corp (NERC)
  - ▶ US Dept. of Transportation – Pipeline Safety (PHMSA)
  - ▶ Individual utilities and transmission providers
  - ▶ Federal and State Judiciary
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