2013 Michigan Forum on Economic Regulatory Policy

RENEWABLE ENERGY IN MICHIGAN

Presented by:

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ABATE
Association of Businesses Advocating Tariff Equity

Act 295 Requirements/Policy

- 10% of sales must be served from renewable energy systems by 2015.
- Two largest utilities must build or contract with 500 MW or 600 MW of renewable capacity.
- Capacity must be located in Michigan.

Capital Cost Estimates

Advanced Natural Gas
Combined Cycle: $1,003/kW

On Shore Wind: $2,438/kW

Source: Energy Information Administration

Act 295

Transfer Price	=	Avoided Cost
Incremental Cost of Compliance	=	Difference between market cost and cost of Renewable Energy

Cost Collection

- Transfer Price is collected through the fuel clause (PSCR).
- Incremental cost of compliance collected through the per-meter charges.
- The per-meter charges are capped.
- The PSC can order the utilities to scale back their renewable programs if they become too expensive.

Total Renewable Energy Surcharge Revenues Through 2011

Consumers Energy:	$161,500,000
DTE Electric:	$238,597,000

Potential Problem

- If the transfer price is set above a utility's avoided cost and assigned to PSCR, the cost caps are made useless.
- More dollars will be spent on renewables than the Legislature envisioned.
- Michigan rates will become even more non-competitive.

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ENERGY EFFICIENCY

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Gas Transportation

- Gas transportation customers only buy delivery service from utilities.
- They buy their natural gas from other suppliers.
- Gas transportation customers have a competitive incentive to become more efficient and reduce costs due to market conditions.
- These surcharges are unnecessary and reduce the competitive position of Michigan businesses.
- These surcharges should be permanently eliminated for large customers (>100,000 Mcf)

Gas EO Surcharges

- Consumers Energy gas EO: ABATE members $168,000/year
- DTE (MichCon) gas EO: ABATE members $132,000

Electric EO Surcharges

- Charges are a burden on Michigan businesses.

- Current system is inefficient: Utility collects money and customers have to apply to get some of their money back.

Electric EO Costs

- DTE Annual program for large Commercial and Industrial: $20,700,000

- Consumers Energy electric annual programs for large Commercial and Industrial: $18,672,000

EO Surcharges

- High overhead plus high utility incentives.
- Electric and gas incentives for both Consumers Energy and DTE for 2009-2011 = $53.1 million.

Conflict of Interest

- The PSC currently sets rates and is responsible for implementing Energy Optimization, which creates an inherent conflict.
- The utilities are allowed to administer the Energy Optimization program, which is an inherent conflict with their business goal of selling more energy.
- A separate state-wide organization should administer EO and provide rate recommendations to the PSC.

Efficiency Agency

- Establish state-wide goals
- Develop program design
- Develop a budget
- Be responsible for all administration
- Budget and administrative costs forwarded to PSC, which will develop rates
- No expensive incentives are needed – would have saved customers $53.1 million over the last three years.