

MI PROPANE SECURITY PLAN

Ensuring Resilience Without Line 5

Governor Whitmer has maintained a consistent goal for Line 5: shut down the oil pipelines that run through the Straits of Mackinac as quickly as possible, while securing the state's energy needs. Michigan can no longer bear the risk of a catastrophic oil spill in the Great Lakes that would jeopardize our work, waters, and way of life. And regardless of Line 5's future, Michigan cannot achieve energy resilience for residents who rely on propane without alternative means of supply. This plan shows how the State of Michigan will achieve propane security.

THE PROCESS

The governor has taken several steps to ensure that Michigan residents who heat their homes with propane will have a secure energy supply when Line 5 shuts down.

- 1. In February 2019 the governor requested a Statewide Energy Assessment and is implementing its recommendations.** The Governor directed the Michigan Public Service Commission (MPSC) to conduct a [Statewide Energy Assessment \(SEA\)](#) to evaluate whether Michigan's electric, natural gas, and propane delivery systems were adequate to account for changing conditions and extreme weather events. In addition, she requested recommendations on how to mitigate risk. A [final report](#) from MPSC was delivered on September 11, 2019. Both the MPSC and the administration have taken several steps to implement these recommendations.
- 2. In July 2019 the governor established the U.P. Energy Task Force and is implementing its recommendations.** The Governor created the [U.P. Energy Task Force \(UPETF\)](#) to assess the U.P.'s energy needs and identify means to achieve energy resilience, including a plan to provide propane in the event Line 5 is disrupted. This [plan](#) was released in April of 2020 and included recommendations to the administration and the legislature. The Task Force is currently working on a report that looks at the broader energy issues facing the U.P. The administration has taken numerous steps to implement these recommendations.
- 3. In late 2020 the governor established an inter-department Workgroup on Propane Energy Security.** The governor formed the Workgroup on Propane Energy Security (WPES) as a hands-on, cross-department team including MPSC; the Michigan Department of Transportation (MDOT); the Department of Environment, Great Lakes, and Energy (EGLE); the Department of Natural Resources (DNR); the Department of Technology Management and Budget (DTMB); and other agencies. This group meets regularly and is focused on facilitating the necessary market changes to provide alternative sources of propane when Line 5 shuts down.

THE PLAN

The State of Michigan has a comprehensive, five-step plan to ensure a secure propane supply for Michigan families and businesses when Line 5 shuts down.

In addition to these actions ensuring propane security for Michigan requires action from the legislature as well. The legislature should review and take action based on the recommendations from the SEA and the UPETF.

Step 1 – Send clear market signals to encourage investment in alternative sourcing options.

Given the unacceptable risk of running oil pipelines through the Great Lakes, the governor has never wavered on her goal: shut down the Line 5 pipelines through the Straits of Mackinac as soon as possible, while securing Michigan's energy needs. In November 2020, the governor and the DNR notified Enbridge that the state was terminating the 1953 easement for Enbridge's ongoing and incurable failure to comply with its terms, as well as revoking the easement under the governor's public trust responsibilities. This termination and revocation takes effect in May 2021. This action sent as clear a signal as possible to propane retailers and other propane suppliers that Michigan's market would need other sources of propane.

The propane market, unlike the market for natural gas and electricity, is largely unregulated. Nonetheless, other suppliers are already responding to this opportunity to serve the Michigan market. Recent developments include:

1. Growing diversification of wholesale propane supply, including new ownership at the U.P.'s Kincheloe and the lower peninsula's Alto propane terminals.
2. Propane retailers taking steps to develop alternative sourcing arrangements less dependent on Line 5, including utilization use of MDOT grants for rail facilities to enable propane delivery.
3. Growing interest in developing, repurposing, or expanding other existing pipeline infrastructure to meet Michigan's propane needs.

Not surprisingly, Enbridge's efforts to postpone the shutdown of the oil pipelines that run through the Great Lakes are a predictable attempt to preserve market share. It is worth remembering, however, that Enbridge does not actually own any propane. It is neither a propane retailer nor wholesaler, nor is the company involved in propane fractionation. Instead, Enbridge it merely transports product on its pipeline. Other market actors see an opportunity and are pursuing alternatives.

Step 2 – Leverage all the tools of state government to encourage the development of alternative sourcing options.

The state has taken several actions:

1. The governor issued her FY 2022 Executive Budget Recommendation, which includes several strategic investments to assist the propane transition:
 - \$10M for MDOT's Rail Economic Development Program focused on propane delivery, including new rail infrastructure and transloads of propane in the Upper Peninsula;
 - \$5M for the development of propane storage tanks near rail spurs to increase wholesale and retail storage capacity; and
 - \$100k to make new planning grant dollars available for local development organizations to ensure strategic infrastructure planning and supply alternatives to deliver propane.
2. MDOT is reviewing opportunities to transport propane by rail.
3. MDOT assisted with a grant for U.P. Propane to expand track capacity at its facility in Escanaba.
4. MDOT assisted with a grant for Chippewa County's economic development agency to expand track capacity and unloading capabilities at its Kincheloe facility. Moreover, the Kincheloe propane terminal is expanding reserves and storage capacity. Both projects will assist with providing redundancy and additional capacity in propane distribution.

The state is also pursuing additional opportunities, such as:

1. Maximizing the amount of propane injected into Michigan storage reservoirs.
2. Identifying alternative propane sources and adding additional storage in the U.P.
3. Encouraging pre-buying of propane to lock-in supply for Michigan residents and businesses, including among Michigan Energy Assistance Program (MEAP) grantees providing assistance to propane customers.
4. Working to remove barriers and accelerate alternative propane deliverability options including but not limited to land acquisition, brownfield redevelopment assistance, and permitting.
5. Requiring companies bidding on contracts to supply state government with propane to attest that they can meet their supply obligations even when Line 5 is shut down.

6. Developing a “Strategic Propane Reserve,” modeled after the Northeast Home Heating Oil Reserve, to ensure propane is available to Michigan retailers during periods of constrained supply.

Step 3 – Monitor propane supply and coordinate responses to potential disruptions in the energy industry.

MPSC houses the Propane Monitoring and Assurance Program within its Energy Security Section. Through this program, the MPSC staff within the Energy Security Section performs several critical functions:

1. Monitors state, regional, and national energy supplies, infrastructure outages, and other factors that could cause a propane shortage or disruption;
2. Participates in regular coordination calls with industry and governmental agencies to share information;
3. Maintains and regularly updates the Petroleum Shortage Response Plan and Michigan Energy Assurance Plan that include measures to manage limited supplies and to reduce overall demand to help the state navigate petroleum shortages or disruptions;
4. Publishes an annual Winter Energy Appraisal, which highlights current supplies and pricing trends at the beginning of the heating season;
5. Promotes the importance of securing propane supplies before winter heating seasons in partnership with the Michigan Propane Gas Association (MPGA) and media outlets; and
6. Convenes propane terminal operators and others to better understand issues surrounding deliveries and loading, including the use of technology to better schedule loading and mitigate the time spent by drivers waiting in lines at terminals.
7. Administers the State Heating Oil and Propane Program, in partnership with the U.S. Energy Information Administration, providing regular updates on propane supplies and pricing throughout the heating season.

Furthermore, the legislature can provide greater protection for propane users by requiring petroleum prime suppliers to provide the MPSC’s Energy Security Section with a copy of form EIA – 782C to more accurately account for inflow and outflows of propane supply/storage. This reform would address the current lack of timely data on propane supply and storage information.

Step 4 – Provide heating assistance for families in need and protect consumers from price gouging.

The state has taken several actions:

1. The governor's FY 2022 Executive Budget Recommendation included strategic investments to ensure all families have access to reliable energy, including ongoing funding in the Department of Health and Human Services' (DHHS) budget for the low-income energy assistance program and the State Emergency Relief program to help low-income families or families facing a crisis pay their energy bills.
2. In response to COVID-19, the administration made several changes to energy assistance and weatherization policies to allow for faster processing of emergency requests for bill payment assistance and to make access to benefits easier for Michigan's most vulnerable households. For example, the MPSC and DHHS have worked to remove red tape and streamline their assistance programs by training MPSC staff on the MI Bridges process. MPSC and DHHS will continue to look for opportunities to restructure their assistance programs to better meet the needs of propane customers.
3. The MPSC launched a (MEAP) subcommittee on propane programs, payment plans, and subsidies. A pilot program has been launched to pair assistance dollars with flexible payment plans for propane customers.
4. The Attorney General's Corporate Oversight Division currently handles consumer complaints related to propane price gouging. Consumers who believe they have been gouged on propane can file consumer complaints with that office.

Furthermore, as highlighted in the UPETF, the Legislature should adopt expanded fuel price-gouging protections, using the Wisconsin law as a potential model, which would apply to both wholesalers and retailers of propane. The Senate considered price gouging legislation last session, but it was never enacted.

Step 5 – Maximize propane efficiency while reducing energy costs in Michigan through efficiency, weatherization, and the transition to electrification and renewable energy.

The state has taken several actions to encourage these longer-term changes:

1. The governor's FY 2022 Executive Budget Recommendation included strategic investments to assist homeowners in improving the efficiency of their homes, such as \$5M to allow low-income homeowners to receive home renovations needed to pursue weatherization programs and \$5M for Michigan Saves to help families with other home energy improvements.
2. The governor signed PA 332 into law on Dec. 20, 2020. The legislation authorizes the newly-formed Propane Commission to promote the use of high-efficiency propane

appliances and equipment through rebate and incentive programs for Michigan residents using an assessment on propane sold in Michigan.

The state is also reviewing additional opportunities, such as cost-effective alternatives to meet heating needs through electrification.