

Michigan's Electric Cooperatives An Integral Part of Rural Michigan

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Overview

- **Who is MECA?**
- **Who are Michigan's electric cooperatives?**
 - Our footprint
- **Our investment in rural Michigan is significant**
- **Our member-cooperatives are proud leaders:**
 - Renewable energy
 - Energy optimization
 - Electric customer choice
- **Observations for Michigan's Energy Future**

Who is MECA?

- **MECA is the statewide trade association representing Michigan's 11 electric cooperatives**
- **MECA has four principal areas of focus:**
 - Communication – ***Michigan Country Lines***
 - Safety/Loss Control/Job Training Services
 - Legislative & Regulatory
 - Energy Optimization

Electric Cooperatives – Member-Owned and Committed to Service

- **Service areas are typically very rural:**
 - Formed because the IOUs would not serve
- **Not-for-profit, member-owned and controlled:**
 - Directors elected by the membership/govern co-op
- **Commitment to community**
- **Focus is on the consumer & service – not profits:**
 - American Customer Satisfaction Index (ASCI) scores:
 - Electric cooperatives – 83%
 - Southwest Airlines – 77%
 - Facebook 61%

Background on Michigan's Electric Cooperatives

- **Michigan has nine electric distribution co-ops:**
 - Retail presence in 59 of Michigan's 82 counties
 - Represent 5% of Michigan electric sales:
 - Low density levels = higher distribution costs
 - Principally comprised of residential sales:
 - 40% of member/consumers are seasonal
 - Sales/meter are <800 kWh/month:
 - Very low when compared nationally
 - Reflects prevalence of other heating fuels (i.e. natural gas/propane)
 - Six electric distribution co-ops are member-regulated:
 - Three are regulated by the MPSC

Background on Michigan's Electric Cooperatives

- **Michigan has one G&T cooperative:**
 - Wolverine Power Cooperative, Cadillac:
 - Owned by/serves six of Michigan's electric co-ops:
 - Provides wholesale power, transmission and other services
 - Regulated by the Federal Energy Regulatory Commission
 - Owns and operates 1,600+ miles of transmission
 - Portfolio includes baseload, peaking and renewable generation throughout Michigan and the Midwest
 - Participates in both MISO and PJM

Electric Co-ops are Investing in Rural Michigan's Future

- **Generation investments are substantial:**
 - \$300+ million invested in Michigan in past decade
 - Harvest Wind Farm, Elkton, Michigan
 - Sumpter Power Plant, Belleville, Michigan
 - Presque Isle Power Plant, Marquette, Michigan
- **T&D investments are sizable and ongoing:**
 - \$750 million + from 2006-2016
 - Rural service area poses a number of unique challenges
 - Co-ops are leaders in automated metering
 - Enhanced tree clearing efforts boost reliability

Recent Energy Policy & Applicability to Michigan's Electric Cooperatives

- All MECA distribution co-ops were required to implement:
 - **2000 Public Act 141:**
 - Electric Customer Choice
 - **2008 Public Act 295:**
 - Energy Optimization
 - Renewable Portfolio Standards
 - Cap on Electric Customer Choice

Observations re 2008 Energy Reform Package

- Michigan cannot implement **major** energy policy changes each time we have a new administration
- It takes time and resources to work towards these mandated goals
- Certainty is important
- We generally support 2008 package.....
 - But we believe some changes are needed

Renewable Portfolio Standard (RPS) Observations

- **We are proud to be leaders:**
 - Michigan's First Utility-Scale Wind Farm:
 - Wolverine/John Deere Wind Energy in 2006
 - Cloverland, Alger Delta already exceed 10% standard
- **We believe renewables have a place in portfolio:**
 - But we also recognize their limitations
 - Costs, lack of scale and intermittency are real concerns
- **In-state requirement = competitive disadvantage:**
 - Lower cost renewables located throughout Midwest

Energy Optimization Observations

- **Electric co-ops support helping consumers use energy wisely:**
 - MECA operates an EO collaborative for our members and four municipals:
 - Cherryland Electric operates its own program
 - Struggle with mandated goals, costs and reporting
 - Low sales/meter and seasonal members pose challenges
 - Future EO costs will rise significantly without changes:
 - “One size cannot fit all”

Electric Choice Observations

- **Electric co-ops support electric choice**
- **Choice requires new, customer-focused skillsets**
- **Co-ops formed an AES to sell into Michigan's choice market:**
 - Wolverine Power Marketing Cooperative:
 - Began operating in 2002
 - Serves 20+ industrial member-consumers
 - Has saved its members >\$60 million in energy costs
- **Choice in Michigan should be limited:**
 - Perhaps to only C&I customers and with a cap

Closing Thoughts

- **Energy legislation is not “one size fits all”**
- **Energy policy changes take time to implement**
- **The 2008 package was generally well done:**
 - Co-ops support renewables but recognize limitations
 - Co-ops support energy optimization but have future concerns with current statute
 - Co-ops support electric choice but with a cap
- **Reliability, affordability, and the environment must all be considerations**