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April 7, 2017

Michigan Public Service Commission

Re: MEEA's Comments on the initial integrated resource plan assessment model scenarios

The Midwest Energy Efficiency Alliance (MEEA) submits the following comments for the 2017 Michigan Public Service Commission's consideration in completing its initial integrated resource planning energy waste reduction potential study as part of the initial assessment pursuant to PA 341 Sec. 6t.

MEEA is a non-profit, membership association working across a 13-state region in the Midwest. Our members include utilities (investor-owned, municipal, and cooperatives), energy efficiency technology and service providers, manufacturers, state and local governments, and research and advocacy organizations. We are the Midwest's key proponent and resource for energy efficiency policy, helping to educate and advise a diverse range of stakeholders on ways to pursue a cost-effective, energy-efficient agenda. DTE, Consumers Energy and the Michigan Electric Cooperative Association are some of the valued members of MEEA based in Michigan.

As the region's leading voice for energy efficiency, MEEA is pleased to see that energy efficiency, or energy waste reduction as it is described in PA 341 and PA 342, is well represented. We hope that our comments will lead to continued increased investments in energy efficiency throughout Michigan.

Modeling Potential Energy Efficiency

MPSC Staff has asked stakeholders to propose additional assumptions/scenarios and supporting rationale for consideration within the EWR potential study.

As a starting point, the MPSC identified baseline scenarios for the study as follows: 1) Business as Usual, 2) High Demand, 3) Low Demand, 4) Regional CPP Compliance and 5) Sub-regional CPP compliance.

The goal of the MPSC's initial request is to expand the universe of scenario considerations in order to see the most energy waste reduction that can be achieved in a multitude of possible energy system futures. In that spirit, it is worth

considering various scenarios related to the probable prevalence of energy efficiency and clean energy generally, given the tenor of PA 341 and PA 342. These two laws are likely to have a profoundly positive impact on the expansion of energy waste reduction measures and resulting savings due to the electric decoupling mechanism, financial incentives and removal of the 2% rate cap.

Accordingly, the MPSC should consider mild, medium and aggressive scenarios while allowing energy waste reduction to compete equally with other generation sources (levelized cost basis), given generation capacity will be freed up by increased energy efficiency efforts. It is worth considering that the cost-effectiveness of energy efficiency *programs* is often the result of lower-cost measures balancing out higher-cost measures, not on the cost-effectiveness of individual measures. Basing selection on measure-level cost-effectiveness could be leaving savings on the table that could be achieved with a well-designed portfolio of programs.

As the Regulatory Assistance Project points out, “although the achievable framework is useful from a practical standpoint, too often projections of achievable savings are seen as precise forecasts or even upper limits on what level of demand reduction can be attained through energy efficiency initiatives...Other factors, such as effective program design and the strength of motivation on the part of the utility, can significantly influence what level of savings will ultimately be realized.”¹

MEEA recommends you consider adding the following scenarios to the GDS technical potential study:

PA 341/PA 342 Mechanisms Scenario

The potential study should take the various financial incentive, decoupling and cost-recovery mechanisms into consideration, particularly as they relate to the differences between the “economic potential” and the “achievable potential”. Any screens or analyses that take utility program saturation and end user

¹ Kramer, C. and Reed, G. 2012. Ten Pitfalls of Potential Studies. Burlington, VT: Regulatory Assistance Project. Accessed at <http://www.raponline.org/knowledge-center/ten-pitfalls-of-potential-studies/>



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participation rates into consideration should consider the variety of statutory mechanisms enacted to spur the expansion of energy efficiency.

EE Valuation Scenario

The Mid-Continent Independent System Operator recently made attempts to establish a bifurcated market for capacity. That attempt failed,² but additional attempts could be made in the near future to establish a forward capacity market similar to that employed by PJM. Any effort that aims to establish a value for energy efficiency on an open market should factor into an energy efficiency potential study (the economic potential and achievable potential components, for example), because such market forces could increase or reduce the willingness for utilities and others to engage in particular energy efficiency programs/measures.

Generation Price Volatility Scenario

MEEA suggests GDS and the MPSC identify fuel-/generation-specific pricing scenarios, including, for example, high natural gas prices. Energy Efficiency should be considered both a supply-side and demand-side resource, competing on a level playing field with other generation. Accordingly, MEEA would like to understand the impact certain prices have on the potential for energy efficiency. This scenario may make sense if included in a scenario set along the lines of a “booming economy” versus a “down economy”.

Carbon Pricing Scenario

In the absence of the Clean Power Plan, MEEA requests that some carbon price, determined to be consistent with relevant national attempts to establish such a price, factor in within a scenario to determine the impact such a price will have on the potential for energy efficiency. While progress to arrive at a Midwest-specific carbon price remains uncertain, the utilities will be required to submit 5-, 10- and 15-year load forecasts within their respective integrated resource plans. Accordingly, it is plausible to think that a carbon price will be established within the Midwest region over the next decade.

² Docket No.ER17-284-000 (<https://www.ferc.gov/CalendarFiles/20170202164853-ER17-284-000.pdf>).



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Thank you for this opportunity to comment on Michigan's integrated resource planning process, and we look forward to continuing to engage further in this initial MPSC assessment as well as in the IRP process for individual Michigan utilities to advance energy efficiency as a valued resource in the state.

For questions, please contact Nick Dreher, Policy Manager, at (312) 784-7271 and via email at ndreher@mwalliance.org.

Respectfully,

Stacey Paradis, Executive Director
Midwest Energy Efficiency Alliance