

January 24, 2022

VIA E-MAIL at HalloranV@michigan.gov

RE: Consumers Energy Comments to Staff following Renewable Natural Gas Study Stakeholder Meeting

Dear Ms. Halloran:

The Company appreciates Staff's efforts to date with the proposed Renewable Natural Gas ("RNG") Study, authorized by the State Legislature and initiated by the Commission in Case No. U-21170. Company representatives attended the January 10, 2022 stakeholder meeting during which ICF presented the proposed approach for this study. During this stakeholder meeting, Staff solicited feedback from any parties on this proposed approach, and a follow-up email from Staff provided several bullet points to consider addressing. The Company's comments are below, organized according to those bullet points. Note that the Company is not addressing every bullet point in this document but is providing these thoughts to help inform Staff's decision-making process on the RNG Study. The Company may provide additional comments at a future point, particularly after the draft RNG study report is published in spring 2022, as was discussed during the January 10 meeting.

I. Cost Benefit Analysis

The Company believes that the RNG Study should consider any current conditions unique to Michigan that may materially impact production cost. Most notably, this would include the current specification in Michigan regarding oxygen (O₂) concentration in gas.

Additionally, during the January 10 stakeholder meeting, ICF seemed to communicate a methodology for calculating abatement cost (\$/ton) that utilized a comparison of the RNG supply to conventional natural gas (i.e., the cost of abatement being the delta or premium above the commodity cost). Consumers recommends, alternatively, that each RNG supply be given an abatement cost that is unique to that supply, and not influenced by a reference commodity cost. This approach will allow RNG as an abatement pathway to be evaluated, on a \$/ton basis, against other pathways that are not conventional natural gas, such as beneficial electrification or hydrogen.

Finally, the \$/mmbtu methodology presented by ICF during the January 10 stakeholder meeting included a discount factor for both the financial numerator and the energy production denominator. Given that most anaerobic digester systems do not degrade in performance over time, the energy production factor in the denominator should not be discounted over time, but instead remain at a nominal value.

II. Total Potential Breakdowns

The State of Michigan has proposed recycling goals under Part 115ⁱ that could divert organic waste from landfills to composting and/or digester facilities. The RNG Study should include sensitivity analyses to account for changes in landfill potential or food waste potential given those potential shifts in feedstock availability.

III. Greenhouse Gas Accounting Methodology

Consumers support the proposed approach to use both lifecycle and combustion methodologies in the RNG Study to calculate carbon intensities based on both lifecycle and combustion methodologies, as each approach has its own pros and cons; using both should provide a more complete analysis. Consumers recognizes that combustion-based approaches are simplistic and straightforward but can overestimate or underestimate real reductions in greenhouse gasses for many feedstocks. Lifecycle accounting, while onerous, can provide more granular accounting and incentivize feedstocks with greater benefit.

Respectfully submitted,

Consumers Energy Company

Please contact the following at Consumers Energy with any questions on this topic:

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¹ House Bills 4454 and 4455 would amend Part 115 of the Natural Resources and Environmental Protection Act to increase the proportion of municipal solid waste that is diverted from landfills to recycling. The Michigan House of Representatives passed these bills in April 2021.