



Energy Transition Impact Project
IN MICHIGAN

2022



**ANNUAL
REPORT**

Michigan's Energy Transition Challenge

Communities across the state are experiencing a rapidly changing environment when it comes to energy production and the loss of power-producing facilities that have been economic and employment anchors for decades. In 2020, Governor Whitmer established the Energy Transition Impact Project (ETIP) to address these challenges and bring local, state, and federal resources to the table to plan for future adjustments and changes. Since its establishment, the state and local partners have established two community-based teams to prepare for the loss of a nuclear facility in Southwest Michigan and two coal facilities in Southeast Michigan. To date, ETIP has leveraged nearly \$3 million in federal planning resources to support these efforts. ETIP will continue to work across all levels of government and coordinate resources to ensure that the residents of these communities not only recover from the loss of these facilities but expand their economic prosperity and chart a course that will help them thrive in new and innovative ways.



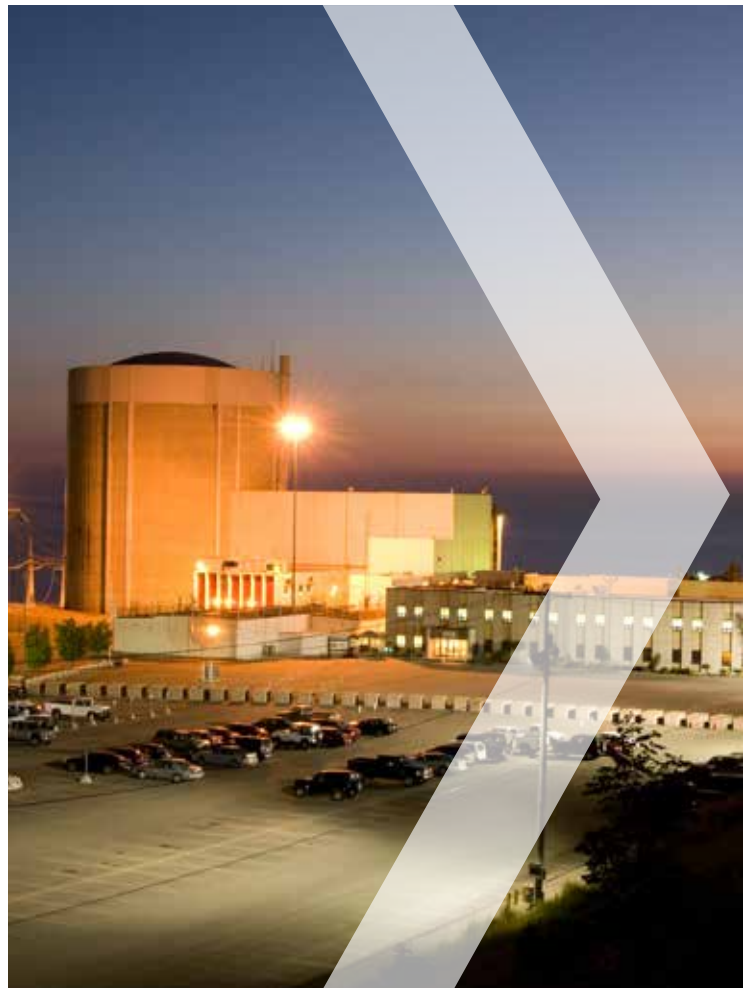
Under [Executive Directive 2020-10](#), state agencies are directed to continue the long-term transition toward a cleaner energy future. To foster transition planning, the Michigan Department of Treasury was tasked with creating the Energy Transition Impact Project (ETIP) strategic team to provide analysis, assistance, expertise, planning, and community engagement to assist in developing energy transition strategies.

The strategic team developed goals to assist communities most heavily impacted by the changing energy economy. These goals include:

1. Identify the communities that will be impacted by Michigan's changing energy sources, including coal and nuclear plant closures.
2. Estimate the impact of the closure of energy facilities on communities.
3. Develop strategies to assist affected communities in expanding job opportunities, remediating sites, and mitigating related economic and socio-economic dislocations.

A Commitment to Environmental Justice

When a coal or nuclear facility closes, the community is left with a legacy of contaminated sites and other negative environmental impacts. When new development occurs, it often happens far from the community that has experienced the loss in jobs and resources. As a result, these adversely impacted communities face increased poverty, deteriorating infrastructure, a lack of affordable and safe housing, and limited prospects for new development. Moreover, these communities can be saddled with air, water, and ground contamination that give rise to health concerns spanning multiple generations. To combat these environmental injustices, the Federal Justice40 Initiative provides these communities with grants to foster clean energy, housing, transit, workforce development,



pollution remediation, and water infrastructure to spur economic growth.

The State of Michigan is working to develop an environmental justice commitment throughout state agencies. The Office of the Environmental Justice Public Advocate, created in the Department of Environment, Great Lakes, and Energy (EGLE), defines environmental justice as follows:

Environmental Justice is the equitable treatment and meaningful involvement of all people, regardless of race, color, national origin, ability, or income and is critical to the development and application of laws, regulations, and policies that affect the environment, as well as the places people live, work, play, worship, and learn. (www.michigan.gov/environmentaljustice)

The ETIP prioritizes these environmental justice considerations by spearheading state efforts to encourage investments, resources, and other improvements to assist adversely impacted communities in developing a brighter, healthier, and a more economically viable future.

ETIP Initial Focus Communities

To better understand the adverse impact of coal and nuclear plant closures and to develop long-term strategies, the ETIP identified two areas of focus: the Palisades nuclear facility and surrounding environs and the Downriver Riverfront communities where two coal plants have recently closed.

Focus Area One: The Palisades Communities of Southwest Michigan

The focus area in Southwest Michigan encompasses Berrien, Cass, and Van Buren counties, but is primarily focused on Covert and Van Buren County because that is where most of the Palisades Nuclear Power Plant's employees reside. The economic recovery strategy includes broad public engagement, data analysis and assessment, plan development and implementation led by a Recovery Plan Specialist. This effort is bolstered by a collaborative team consisting of the Southwest Michigan Planning Commission, Market Van Buren, and the University of Michigan Economic Growth Institute. This team-oriented recovery effort employs the following phases:

- Analysis.
- Assessment.
- Recovery Plan Specialist implements the agreed upon strategy.
- Creation of a community advisory panel to communicate the strategy to the general public by:
 1. Explaining the Palisades/Energy decommissioning benchmarks and timeline.

2. Explaining the Nuclear Regulatory Commission process.
3. Reviewing economic recovery process.
4. Exploring collaboration among regional, state, and federal resources.
5. Surveying the resident's priorities and concerns.



Focus Area Two: Downriver Riverfront Communities (Wayne County, MI)

The Michigan Downriver Riverfront Communities of River Rouge, Ecorse, Wyandotte, Riverview, and Trenton are being adversely affected by two coal-fired power plant closures in Trenton and River Rouge.

In 2018, in preparation for these closures, the Downriver Community Conference commissioned an Economic Recovery Strategy Study to inform and advise key stakeholders on the priorities for economic development in these five communities. This study outlines the dire circumstances as follows:

With over half of the population across the communities having incomes under the poverty line, a historically disadvantaged minority community, and an unemployment rate that is nearly double that of other Wayne County communities, the decline being experienced has been ongoing for some time. Historically and today, these five communities rely on the stability of steel production and automotive manufacturing success in southeastern Michigan. Throughout the 1930s-1970s, steel production and automotive manufacturing industries attracted thousands of workers that resided in these communities. However, since 1980 and the economic

downturn of the late 2000s and early 2010s, Southeast Michigan has seen over 50.9% of its manufacturing and production jobs leave.

In October 2021, Treasury, The Economic Growth Institute at the University of Michigan, and the Downriver Community Conference brought together stakeholders from all five communities to update, revitalize, and make actionable the above-mentioned 2018 Downriver study. The stakeholders devised a plan to leverage local, regional, and international assets to foster recovery, resiliency, sustainability, equity, and economic justice for the acceleration of a stronger economy in the Downriver Riverfront Communities. This effort culminated in the awarding of a federal grant to begin building a long-term, sustainable economic and community development strategy to respond to the changing economic landscape.

Next Steps:

The Downriver Community Conference is establishing community-based goals for the purposes of seeking a federal grant to strategically plan for the future with an emphasis on:

- Strengthening quality of place.
- Developing the workforce/talent.
- Establishing a business-friendly region for small businesses & entrepreneurs.
- Becoming investment ready & competitive for larger business attraction.
- Marketing the region.
- Providing for equitable investments to benefit the communities.

With this grant the communities will begin the three-year effort to build a long-term and sustainable recovery effort in the five communities.

How ETIP Can Address Adverse Impacts

Understand Adverse Impacts

Developing an understanding of how the closure of a plant will affect the community is key to creating an effective response. This part of the process should include evaluating monetary impacts like the amount of lost tax revenues and jobs, as well as broader impacts on the community. Other impacts may be less tangible or easy to measure but just as real, such as eroding of community identity, ripple effects on businesses like restaurants, or changes in the population if people move outside the area. Activities include:

- Gather data on property taxation and employment impacts of the energy plant closure.
- Meet with community members and workers and allow them to share how they will be personally or financially impacted.
- Meet with the local working groups to understand ripple effects on other businesses, neighboring communities, or other trends.
- Create a report detailing impacts and identifying areas for action.



Understand Community Priorities

Meeting with local stakeholders is essential to understand communal priorities. Community members should be allowed to voice their concerns and assisted in forming action strategies. Different groups within a community may have different visions for their community's future; however, noting these differences is key to creating an all encompassing response. Key components of this strategy include:

- Hold regular meetings with the local groups to document community challenges and identifying solutions.
- Ensure that community representatives have the opportunity to respond to ideas for the transition strategy. Additionally, ensure that community representatives understand community visions for their future.
- Reach out to community members who are not part of the working group to solicit ideas and input. Some community members may not regularly attend public meetings, but including their input is still critical to the process.

Set Common Goals

After spending time hearing from a variety of stakeholders on their concerns and priorities, it is important to review the input and set common goals. People often have different priorities and visions for their communities, so it is crucial that the working group agrees on what goals the community should be seeking to accomplish. Government representatives should facilitate open communication and dialogue during this process to achieve a common purpose and buy-in among community members. Stakeholders will:

- Maintain a focus on community-generated priorities.
- Agree on a set of concrete, achievable goals. These should be achievements the community would like to see when the project is completed.
- Facilitate further meetings between the working group and others to accomplish goals and bring together resources.

Create an Action Plan

Having clearly identified goals will help communities create a plan that is focused and action oriented. The effort will:

- Work with city representatives to understand the task for which they need assistance.
- Identify any non-profits or other local organizations that may be able to provide resources to achieve community goals.
- Create a work plan for government representatives based on these meetings
- Regularly check-in with those involved in the action plan.
- Regularly record progress through metrics (like number of employees re-hired or percentage of tax revenue replaced).

Apply for Federal or State Aid

There are varieties of federal and state programs that exist to aid communities going through energy transitions. It is important that government representatives are aware of these programs and can assist communities in a way that fits community needs.

- Engage city representatives to identify which programs are a good fit for the community.
- Engage the working group to identify which programs would best serve the communities.
- Assist city representatives as needed with the application process and implementation of any projects that are funded.

Resources

Executive Directive 2020-10

<https://www.michigan.gov/whitmer/news/state-orders-and-directives/2020/09/23/executive-directive-2020-10>

State of Michigan Office of the Environmental Justice Advocate

<https://www.michigan.gov/environmentaljustice>

"Best Practices for an Equitable Clean Energy Transition: A Toolkit for U.S. States"

https://www.sciencepolicyjournal.org/uploads/5/4/3/4/5434385/nathan_et_al_jspg_18.2.pdf

"Blueprint for Just Transition"

<https://www.justtransitionfund.org/blueprint>

EGLE Environmental Justice Conference

<https://docs.google.com/document/d/1hwnuB9kLt6SGDCLLjinJ3lyHYEOviGnOW02kLG9eV0k/edit>

Colorado Office of Just Transition Action Plan

<https://cdle.colorado.gov/sites/cdle/files/documents/Colorado%20Just%20Transition%20Action%20Plan.pdf>



Appendix A: University of Michigan Economic Growth Institute and the Energy Transition Impact Project Process Overview

Allovalance Strategic Decision-Making Process

The Allovalance Method is a structured process and strategic prioritization software for making decisions that removes bias from the final decisions while fostering cross-functional collaboration in organizations.

The Allovalance Method has five components designed to meet and address organizational needs and pain points, and the software is used as a tool to guide and help implement decisions.



STRATEGIZE: Developing the Goal, Priorities, and Objectives

The planning process begins with the EGI Coaches convening a strategic team to create the Goal, Strategic Priorities, and Strategic Objectives for the overall strategic plan. This process is collaborative and inclusive, and the framework allows the facilitators to drill down into the elements most critical to establishing a successful framework for the strategic plan.

COMPARE: Creating the relative weights (or importance) of each Priority and Objective

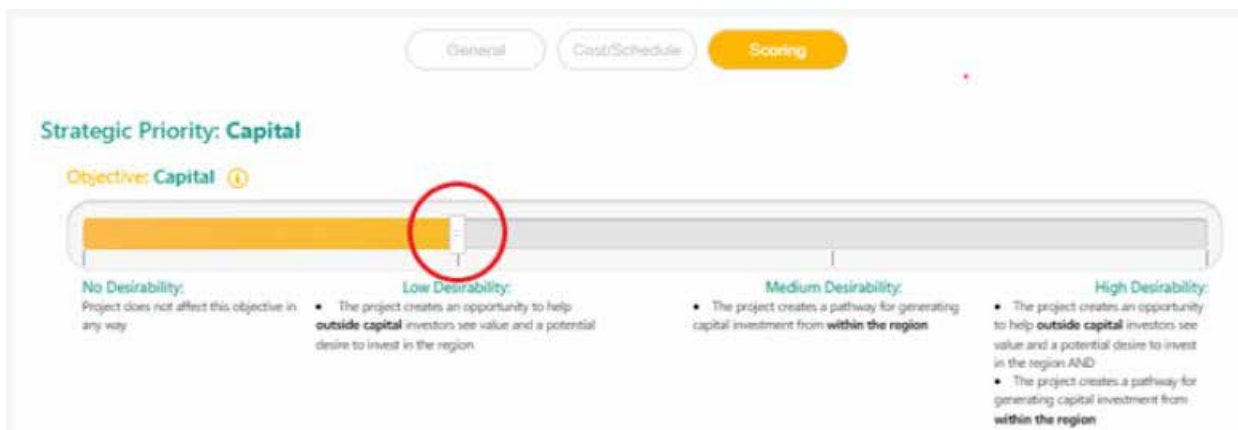
Once the Goal, Priorities and Objectives are created, the strategic team performs a comparison exercise to obtain the relative weights of each Priority and Objective. For this step, each Strategic Priority/Objective is compared to every other Strategic Priority/Objective to determine which deserves more attention or resources. This process encourages the group to engage in difficult conversations and draw consensus on both subjective and objective items. Here is an example of how those comparisons were made in the software application:



The Compare step results in the development of the Strategic Value Scorecard showing the relative weights of each Priority and Objective. These weights represent how important each is to achieve the goal of the Strategic Plan. Refer to the Strategic Value Scorecard section further in the report for this engagement's Strategic Value Scorecard.

QUANTIFY: Changing the subjective into the objective

The Quantify step begins with members of the strategic team identifying Subject Matter Experts (Experts) for each Objective. The EGI coaches work with the Experts to develop metrics (or objective measures for subjective criteria) for each identified Objective. Low, medium, and high desirability criteria are created for each Objective to assess the relative impact of proposed project ideas. Low desirability criteria reflect lower effort, minimum impact necessary for a project to be meaningfully furthering an objective. High desirability criteria reflect ideal outcomes for highly impactful activities. Criteria is also developed for what determines an urgent or complex project. This step allowed the team to create custom metrics and define Objectives as those items that will move the team toward achieving the set Priorities.



SCORE: Entering projects or ideas and scoring them against defined success criteria

During this step, proposed project ideas are submitted by members of the strategic team and scored against each of the Objectives. These project ideas are any investments, programs, etc. that they feel would work toward achieving the strategic plan as set forth.

Projects are scored first by the project owner and then reviewed by the strategic team. The software uses the weights from the scorecard and the Objective criterion, created in earlier steps, to calculate the project's Strategic Value Score. This number is combined with the project's urgency and complexity scores to create an Overall Score for the project.

SELECT: Identifying and selecting projects based on strategic impact, urgency, complexity, and cost

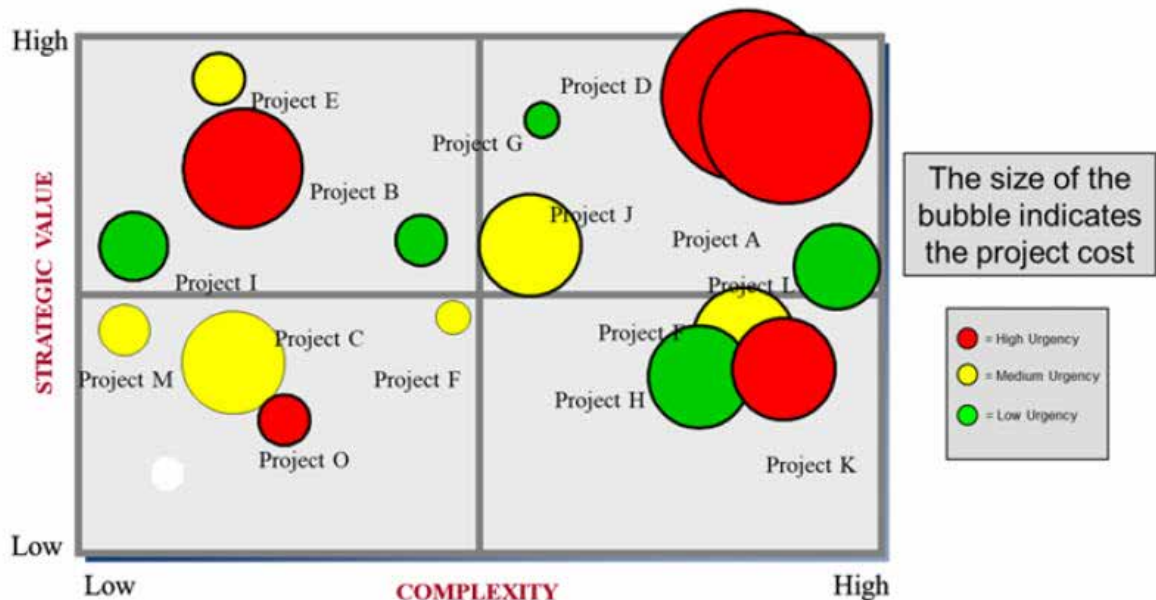
Once the Strategic Value Scorecard is developed and all the projects are submitted and scored, the next step is to select the projects to be included in the final Strategic Plan.

The model will generate a list of optimal project portfolios based on the strategic value, complexity, and urgency of the projects. Of equal importance is the alignment of the proposed projects with the strategic values.

This means that in addition to choosing the projects that are the most strategic, it is important to select a mix of projects that work toward achieving all of the Priorities reflected in the scorecard. The strategic team gathers to discuss in detail the projects submitted.

This comprehensive and rigorous process allows the team to carefully review and understand each project brought forward by the individual members and show them how each project compares to one another to allow them to select an unbiased set of final projects to move the plan forward.

The graph below is an example that shows how the proposed mix of submitted projects compare to one another.



Appendix B: Property Tax Loss and the Energy Transition Impact Project Process Overview

- The 12 power plants on the closure list and on the ad valorem tax roll had a 2012 taxable value (TV) of \$1.77 billion.
- Their 2021 TV had dropped by 33% to \$1.19 billion.
- Two DTE power plants, Monroe, \$435 million TV, and Belle River, \$300 million TV, make up 62% of the total 2021 power plant TV, and had TV increases from 2012 to 2021.
- The other 10 power plants' taxable value declined by 14% to 76%.

Plant	2021 TV	2012 TV	
<u>Consumers Energy</u>			
Karn 1 & 2	\$36,000,000	\$101,074,400	-64%
Karn 3 & 4	\$27,659,900	\$54,988,000	-50%
Filer City	\$22,506,000	\$25,228,200	-11%
Campbell	\$125,807,000	\$316,090,000	-60%
<u>DTE Electric</u>			
Monroe	\$433,858,670	\$387,452,770	12%
Belle River	\$300,718,400	\$252,098,700	19%
St. Clair	\$101,659,400	\$163,294,300	-38%
River Rouge	\$31,740,021	\$75,690,312	-58%
River Rouge PCI Ent	\$6,114,121	\$21,703,712	-72%
Trenton Channel	\$41,000,000	\$109,288,300	-62%
Palisades--Entergy	\$62,024,000	\$259,225,900	-76%
Gladstone--UPPCO	\$360,572	\$419,448	-14%
	<u>\$1,189,448,084</u>	<u>\$1,766,554,042</u>	<u>-33%</u>

Appendix C: Team Members

Strategy Team Members

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Chief of Staff Sally Durfee (TREASURY)
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Danelle Gittus, Division Administrator (TREASURY)
Lance Wilkinson, Director (TREASURY)
Howard Heideman, Administrator (TREASURY)
Judson Herzer (LEO)
Ashlee Breitner, Assoc. Director, Economic Growth Institute
Carmen Wells Quigg, Project Manager, Economic Growth Institute

Strategic Priority Sub Team Members

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Jessica Thomas, Bureau Director (TREASURY)
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